



County Technical Assistance Service
INSTITUTE *for* PUBLIC SERVICE

May 18, 2024

Project Budget

Dear Reader:

The following document was created from the CTAS website (ctas.tennessee.edu). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

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Project Budget

Reference Number: CTAS-1719

There are several things to know in the management of a construction capital project as it relates to the budget. Was debt issued to fund the project? If so were the bonds or notes sold at a discount? Were debt issuance expenses considered? When will cash funds be available? Were contingencies and changes orders budgeted? Was interest earning anticipated? The answers to these questions are beneficial in knowing how much money is or will be available and when.

The capital project budget should include costs for bond issuance, architecture, engineering, land, and furnishings if applicable. The capital budget and accounting should be what is referred to as "Turn Key." Turn Key means all costs to start the project and costs up until the government can use the new assets. The builder locks the door (turns the key) and hands the owner the keys. In some instances the county has started a capital project out of their operating budget with the intent to repay these expenses back to the operating budget once money is borrowed. The accounting department needs to insure that proper accounting is made to incur all cost in the capital projects fund for historical and correct accounting purposes. This budget should have all accounting set up to properly segregate funds such as the retainage account. If a county anticipated a capital improvement project and will be spending funds exploring their options, it is recommended to go ahead and establish the capital projects fund and expend money from the capital project fund instead of from an operating fund.

Recommended Practice: Establish your Capital Project Fund during the planning stage of the project, making sure all costs associated with the project have been captured.

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