



County of Yolo

Administrative Policies and Procedure Manual

TITLE: CAPITAL ASSET MANAGEMENT	DEPARTMENT: COUNTY ADMINISTRATIVE OFFICE
TYPE: POLICY	DATE: JUNE 6, 2023

A. POLICY STATEMENT

Yolo County's government is accountable for considerable investment in buildings, land, infrastructure, equipment and other capital assets. The preservation, maintenance, and future improvement of these assets are a primary responsibility of the County. Planning and implementing a sound capital asset management plan, policy, and program today will not only help Yolo County avoid emergencies and major costs in the future, but strategically plan for the future needs of the County.

The Yolo County Board of Supervisors (Board) in recognition of the need to develop and adopt a consolidated capital asset management plan, budget for its implementation, and incorporate its impact on the operating budget, established the Five-year Capital Improvement Plan (CIP). The CIP includes capital projects that have been completed, are in the stages of implementation, and those projects to be implemented within the next five fiscal years. Additionally, the CIP is used as a tool for the implementation of projects included in various Board-adopted plans (General Plan, County Strategic Plan, Information Technology Framework, Facilities plans, Parks Master Plan, Airport Master Plan, Cache Creek Area Management Plan, etc.). Yolo County's CIP is a dynamic document, where new projects are incorporated in the plan and previously submitted projects are updated. The CIP only includes projects that are over \$200,000. Projects under this threshold are ordinarily contained in department budgets.

The CIP is prepared and updated annually by the Capital Projects Coordinator with assistance from the Capital Improvement Committee, and includes all projects meeting the definition as outlined herein. Considered a tactical planning tool, the CIP may be used by the Board to prioritize county-wide capital projects. The CIP also provides such detail as necessary regarding funding of projects. While the CIP does not indicate approval of a project, only projects included in the Board-approved CIP will be considered for funding with the exception of emergency needs. Final appropriations for projects are included in the respective department budgets submitted in the recommended budget.

B. PURPOSE

Establishing a capital asset policy aides in the provision of control and accountability over the County's capital assets to ensure compliance with State and Federal laws and to assist departments in gathering and maintaining information required for maintenance, replacement, insurance, cost recovery, rate setting, and financial reporting.

The purpose of this policy is:

1. To describe the policies and procedures utilized in the County's CIP;
2. To put in place guidelines for the budgeting, financing, and accounting of the County's capital assets; and
3. To provide County officials and employees in elected offices, county divisions, departments, and special districts criteria for the prioritization of County CIP projects.

This capital asset policy is in accordance with Generally Accepted Accounting Principles (GAAP) for proper recording, valuation, depreciation, useful lives, retirements and disposals, and financial reporting.

C. APPLICABILITY

The following policy applies to all County officials and employees in elected offices, County divisions, departments and special districts for whom the Board is required to adopt an annual budget that includes capital asset management plan items. In situations where the Board serves as the entity's governing body, projects meeting the definitions outlined herein must be presented to the Board for approval.

D. DEFINITIONS

Capital Assets: The term capital assets include tangible assets such as land, improvements to land, building, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and intangible assets such as software, easements and land use rights, that are used in operations and have initial useful lives extending beyond a single reporting year.

Capital Expenditures: Expenditures incurred for the improvement to, or acquisition of, capital assets.

Capital Improvement Plan Amendment: A change of the adopted CIP that adds or deletes a project, modifies the total adopted budget of a project, or alters the approved scope of a project.

Capital Project: A Capital Project is the use of resources to acquire, construct, or improve a capital asset. Each project has a specific purpose, justification, and cost. Projects propose physical improvements in different elements of the County's infrastructure. Improvements include, but are not limited to, construction, reconstruction, rehabilitation, modification, renovation, expansion, replacement, extension of streets, bridges, buildings, sidewalks, playgrounds, traffic signals and signs, ramps, lights; acquisition of land, buildings with associated relocation, demolition; and improvements such as landscaping, fencing and paving.

Capitalization: Capitalization refers to the act of recording outlays as capital assets based on certain criteria for financial reporting purposes. The capitalization threshold is the dollar amount below which capitalization does not occur.

E. ADMINISTRATIVE PROCEDURES

I. Capital Improvement Plan Development

The Capital Projects Coordinator will solicit Capital Improvement Plan Project Questionnaires from Capital Project Managers pursuant to the timeline established in the annual budget preparation schedule.

- a) Capital Improvement Plan Project Questionnaires will be submitted in a format and with content to be determined by the Capital Projects Coordinator.
- b) The Capital Projects Coordinator will present all submitted Capital Improvement Plan Project Questionnaires to the Capital Improvement Committee for review and prioritization.
- c) The Capital Improvement Committee will evaluate each submitted Capital Improvement Plan Project Questionnaire and assess its relative importance based on the approved Capital Project Evaluation and Prioritization Criteria, which may be revised by the County Administrator.
- d) The Chief Financial Officer will review and recommend funding sources for each Capital Improvement Plan Project Questionnaire, and may propose that the timeline for project completion be altered to match the availability of funding.
- e) Projects deemed to be insufficiently planned, or which are proposed for completion more than five years in the future, or for which sufficient available funding cannot be identified, may be placed on a 'watch list' containing known projects that may be added to the capital improvement program in the future.
- f) The final proposed Capital Improvement Plan will be submitted to the County Administrator for review and, as the County Administrator deems appropriate, revision.

II. Capital Improvement Plan Adoption

- a) The County Administrator will annually submit a recommended five-year Capital Improvement Plan for review by the Board pursuant to the timeline established in the annual budget preparation schedule.
- b) The Capital Improvement Plan will provide:
 1. A statement of the objectives of the Capital Improvement Plan and its relationship with the Board's Strategic Planning Goals and Objectives and approved County Plans
 2. An implementation schedule for each of the proposed capital improvements
 3. An estimate of the costs and sources of revenue for financing each project, and an estimate of the impact of each project on the County operating budget
 4. A schedule of debt issuance proposed to fund any portion of the CIP
 5. An estimate of the impact of proposed debt issuance on the debt limit established by the County's debt policy.

III. Amending the Adopted Capital Improvement Plan

- a) No work on a capital project shall be undertaken if it is inconsistent with the approved scope of the project or if it will require expenditures that, when combined with all other project costs previously incurred or reasonably expected to be incurred, would exceed the approved project budget.
- b) The approved scope and budget of a project may be revised by amendment.
 1. The Capital Project Manager will submit proposed amendments in a form, and with content, to be determined by the Capital Projects Coordinator.
 2. The Capital Projects Coordinator will assess the need for the amendment and make a recommendation for approval, denial, or revision to the Capital Improvement Committee.
 3. The Capital Improvement Committee will review the proposed amendment and recommendation, and will by majority vote recommend approval, denial, or revision to the County Administrator.
 4. The County Administrator will approve or deny the recommended action.
 5. If approved, the project amendment will be placed by the Capital Projects Coordinator on a Board agenda for approval or denial.

IV. Capital Project Evaluation and Prioritization Criteria:

All Capital Improvement Plan Project Questionnaires will be evaluated based on their ability to foster the achievement of the Board's Strategic Planning Goals:

Yolo County Strategic Planning Goals

1. Thriving Residents
2. Safe Communities
3. Sustainable Environment
4. Flourishing Agriculture
5. Robust Economy

Departments should identify not only which goal the project is in-line with, but also whether the project satisfies multiple goals in their completed Capital Improvement Plan Project Questionnaires.

In addition to assessing each project's alignment with the Board's Strategic Planning Goals, the Capital Improvement Committee will review and prioritize each project based on the following criteria:

- a) **Project Need:**
Is this project needed? Will the project bring the County into compliance with an existing or new legal mandate? Does the project enhance or maintain a current asset of Yolo County? Does the project address an existing or potential threat to lives and property? What are the potential benefits of the project? What problems does this project solve? What are the impacts of the deferral of this project?
- b) **Project Readiness:**
Has the appropriate project planning been completed? Is this project ready to be implemented? What is needed to make this project ready for implementation? Who will be involved in management and implementation of this project? Is this project connected to other capital projects?
- c) **Project Funding:**
What are the project's impacts on the departments operating budget? How does the project impact the General Fund? Does this project require additional FTEs? Does this project have funding available? What applications, if any, have been submitted for project funding (i.e. grant applications)? Are you requesting funding through the CIP?
- d) **Project Sustainability:**
Is this project based on not only what is makes the most sense now, but what makes the most sense in the future? Does this project represent a fiscally responsible decision?
- e) **Project Outcomes:**
What are the expected outcomes or goals of the project? How will this project allow your department to meet standards for performance and customer service?
- f) **Quality and completeness of proposal**

The Capital Improvement Plan Project Questionnaire provides opportunities for Departments to address the criteria listed above and provide the Capital Projects Coordinator and Capital Improvement Committee with a detailed narrative on the need, readiness, funding, sustainability, and outcomes of their proposed project.

V. Capital Improvement Plan Project Questionnaire

Capital Improvement Plan Project Questionnaires will be disseminated by the Capital Projects Coordinator pursuant to the timeline established in the annual budget preparation schedule. Departments can also access the questionnaire on the Forms & Documents section of Inside Yolo.

A Capital Improvement Plan Project Questionnaire must be submitted for all new projects and Capital Project Managers are expected to submit a revised Capital Improvement Plan Project Questionnaire for any previously approved project whose scope and budget must be revised. For projects that fall under the equipment, improvements (other than buildings), and infrastructure capital asset categories listed in Section G., a short form version of the Capital Improvement Plan Project Questionnaire will replace the full version. This form will also be available on the Forms & Document section of Inside Yolo.

Based on the complexity and magnitude of the project, and whether it meets the dollar of significance standard as defined by the Capital Improvement Committee, the project may require the Capital Project Management detailed below.

F. CAPITAL PROJECT MANAGEMENT

I. Responsibilities

Capital Projects Coordinator – An individual, designed by the County Administrator (CAO), to guide the preparation of the CIP and the completion of approved capital projects.

Capital Improvement Committee – A body comprised of the Chief Financial Officer, CAO Designee, Capital Projects Coordinator, General Services Director, and other individuals appointed by the CAO, responsible for the review of all CIP Project Proposals, and the development and recommendation of the CIP and any CIP amendments.

Operating Project Review Committee – A body comprised of the Chief Financial Officer and Capital Projects Coordinator responsible for the review of all active CIP projects. Presentations will be made quarterly to the board on the status of each active CIP project.

II. Project Management

Capital Project Manager – Each CIP project will have a formally identified project manager selected by the project's department, responsible for the day-to-day management of the CIP project.

III. Reporting

The following reporting will be completed with regard to the Capital Improvement Plan for capital projects included in the Board approved CIP:

- a) Within 90 days of project completion the Capital Projects Coordinator will close out all open contracts and the Chief Financial Officer will transfer any remaining unused budget authority to a capital project reserve account, from which it may be reallocated to other projects.
- b) The Chief Financial Officer will provide the Board with a report each quarter showing the status of each approved capital project.

G. CAPITAL ASSET CATEGORIES

Yolo County provides for the following Capital Asset categories:

I. Buildings

Buildings are capital assets with physical properties of a permanent nature, such as structures, structural attachments, storage facilities, storage tanks, towers, etc. Buildings are capitalized when the acquisition and ancillary costs, or appraised fair market value at time of donation, exceed \$10,000.

Includes (not all inclusive):

- a) Acquisition price if purchased, legal fees and title search.

Includes, if constructed (not all inclusive):

- b) Site preparation, surveying fees, soil testing
- c) Architectural, engineering, cost of construction, permits and licenses
- d) Construction management, direct and indirect (except general administration costs), legal fees
- e) Condemnation costs
- f) Insurance during construction
- g) Cost of fixtures attached to and forming a permanent part of the structure (e.g., boilers, lighting fixtures, plumbing, shelving – if attached, air conditioning, heating systems, etc.)

Additions are extensions of an existing unit which increases the unit's capacity. Costs include the same items as if constructed new and are capitalized if costs exceed \$10,000.

Improvements (or betterments) are capitalized expenditures if it materially adds value to the property or appreciably extends its life. The cost of replacing an existing component with one of higher quality is to be added to the value of the asset when the original cost of the replaced component can be specifically identified. If the original cost of the component cannot be identified, the expenditure is treated as maintenance though the asset's life may be extended. Replacing part of an existing asset with another of like quality is not betterment, even though the useful life is extended. All betterments are capitalized when costs exceed \$10,000. Improvements are added to the cost of the related structure rather than treated as separate asset.

II. Construction (or development) in progress –

This class is used to accumulate costs incurred to construct or develop a capital asset before it is substantially ready to be placed into service.

III. Energy Infrastructure and Systems

This class of capital assets refers to infrastructure, systems, and improvements that result in increased energy efficiency, power generation and distribution, and/or reductions in greenhouse gas emissions. Projects may include: the installation or electric vehicle supply equipment (EVSE); solar power systems; and other alternate energy systems.

IV. Equipment

Tangible personal property which is moveable or, if attached, is readily detachable without appreciable impairment to the unit to which it is attached, has a useful life of more than one (1) year, and a value of \$5,000 or more. Equipment includes vehicles, heavy machinery, furnishings, computers, office equipment, instruments, technical and diagnostics equipment, and similar moveable items. Equipment should be recorded at historical cost plus ancillary charges, net of all trade discounts and rebates necessary to place the asset into its intended location and condition for use.

Includes (not all inclusive):

- a) Preparation costs
- b) Freight or other transportation charges
- c) All taxes
- d) Installation costs

Exception: Yolo County does not capitalize partitions and other office landscaping and workstations or library books.

V. Improvements other than buildings (land improvements)

Includes permanent (non-moveable) improvements, other than buildings, that add value to land, but do not have an indefinite life. Examples include fences, retaining walls, parking lots, and most landscaping. All improvements to land are capitalized if costs related to a specific improvement exceed \$5,000.

VI. Infrastructure

Long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most other capital assets are infrastructure. Infrastructure with costs exceeding \$25,000 is capitalized. Infrastructure assets include roads, bridges, tunnels, drainage and flood control systems (dams), underground pipe (other than

related to utilities), water and sewer systems, traffic signals and lighting systems. The County has elected to not capitalize infrastructure acquired prior to July 1, 1980.

Original cost may be estimated if records are unavailable or inadequate. Expenditures that are capital in nature (additions and improvements) should be capitalized as part of the infrastructure asset if they increase the capacity or efficiency of the related infrastructure asset and costs exceed \$25,000.

Includes (not all inclusive):

- a) Architectural, engineering and surveyor fees
- b) Condemnation costs
- c) Legal fees
- d) Construction costs
- e) Permits and licenses
- f) Appurtenances (e.g., traffic signs, signals, street signs, grade separations)

VII. Intangible capital assets

Software, licenses of commercially available software, easements and land use rights, and other purchased intangible assets are valued at historical cost, including all appropriate ancillary costs. Intangible assets with cost exceeding \$100,000 are capitalized:

- a) Software (pursuant to GASB 96)
- b) Leases (pursuant to GASB 87)
- c) Easements and land use rights

VIII. Land

Land is the investment held in fee title in real estate, other than structures and improvements, including land acquired for infrastructure purposes. Any rights (e.g., mineral rights) purchased with the land are not valued separately unless they are acquired separately. Normally land is characterized by indefinite life and not depreciated. Land used as a landfill or used as a source of gravel, or used in other ways that impairs the land, may need to be depreciated and classified under a separate asset category other than land. Land is capitalized regardless of cost and should be valued at fair value at date of acquisition.

Include (not all inclusive):

- a) Acquisition price or estimated fair market value (FMV) if donated.
- b) Appraisal negotiation, legal fees, title search and surveying fees.
- c) Costs of obtaining consents and payments for condemnation costs
- d) Filing costs.
- e) Basic site improvements, including the cost of removing, relocating, or reconstructing the property of others (e.g. power lines).

IX. Works of art, historical treasures, and similar assets described as a collection

The County has elected to not capitalize these assets regardless of costs as long as the collections meet the following criteria:

- a) The purpose of the collection is display or research;
- b) The collection is being adequately maintained; and
- c) The proceeds from the sale of collection items will be applied to acquire new items.

Yolo County does not classify maintenance as a capital asset. Maintenance includes expenditures, which neither materially add to the value of property nor appreciably prolong its life, but merely keep it in an ordinary efficient operating condition.

H. CAPITAL BUDGETING

For each fiscal year the Board shall include any capital project funding as part of the annual budget process. The Capital Budget is the first year of a three year plan for capital expenditures. These capital expenditures are to be incurred over a given fiscal year from funds appropriated by the Board for projects scheduled in the same year. All capital expenditures to be incurred during a given fiscal year will be included in the County's annual budget document. The Capital Improvement Committee shall recommend annual ongoing funding levels for each of the capital asset categories identified within the CIP. The Board will consider approval of these funding levels during their annual review of the CIP.

Preparing and maintaining the Capital Budget is an imperative to continue the County's strong fiscal management practices. Central to this management effort is providing accurate and thorough justifications for proposed capital projects, making the capital budgeting cycle transparent and straightforward. The County will develop a process for ensuring that capital investments provide the maximum community benefit and that appropriate supporting policies are implemented.

I. CAPITAL FINANCING

The County shall include with each annual capital budget the long-term plan for CIP financing, which includes a multi-year financial forecast for the major funds available to the CIP. The capital financing strategy should promote financial strength and flexibility; limit the cost of acquiring capital assets while meeting community needs; and strengthening the County's standing with bond rating agencies, investors, and community stakeholders.

Financial analysis of funding sources is conducted for all proposed major capital improvement projects. The CIP shall be updated and priorities reviewed annually in light of changes in needs, available funding, or available staffing. The Board has established the Operating Project Review Committee to review the status of all projects. County financial staff determines the funding sources and, if not available, provides input toward scope changes to meet the fiscal constraints.

A detailed Capital Improvement Plan Project Questionnaire must be submitted annually for each project before project funds can be expended. Any costs of operating and maintaining the projects listed in the plan should be identified within this proposal, to ensure that adequate funds will be available for ongoing costs relating to the projects. When considering the priority and funding of each capital project, the County shall consider the operating impacts (i.e., increased staff, facilities maintenance, and outside rentals) of the project.

Financing Plan

Each capital project shall identify the financing plan to be utilized in funding the project. Available options include:

- a) Pay-as-you-go financing. Funded from the operating budget using fund balance and/or capital reserves
- b) Inter-fund borrowing
- c) Debt financing. In accordance with the County policy on *Borrowing, Debts and Obligations*
- d) Public-Private partnerships and economic development
- e) Federal and other intergovernmental grants
- f) Any combination of the above

Financing shall be designed to allow proper matching of benefits and costs. A project's financing term shall never exceed the estimated useful life of the capital asset.

J. ACCOUNTING FOR CAPITAL ASSETS

I. Capitalization Thresholds

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital include assets with an initial individual cost of more than \$10,000 for land, structures, improvements and easements; infrastructure with a cost of \$25,000 or more; and equipment with a cost greater than \$5,000 and leases and software subscription arrangements with a cost greater than \$100,000 and an estimated useful life in excess of one year.

II. Capital Asset Depreciation and Estimated Useful Life

Capital assets used in operations are depreciated and amortized using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and the proprietary funds.

The County's depreciation policy for Capital Assets, including estimated useful lives, is detailed below:

Asset Type	Method	Useful Life
<i>Nondepreciable Capital Assets</i>		
Land	N/A	N/A
Easements in perpetuity	N/A	N/A
Construction (or development) in progress	N/A	N/A
Asset Type	Method	Useful Life
<i>Depreciable Capital Assets</i>		
Land improvements	Straight line, full month convention	10 – 40 years
Buildings	Straight line, full month convention	10 – 40 years
Infrastructure	Straight line, full year convention	10 – 50 years
Equipment	Straight line, full month convention	2 – 20 years
Software	Straight line, full month convention	Life of License/Subscription, or 2-7 years
Leases	Straight line, full month convention	Life of Lease

The County considers salvage value immaterial.

III. Capital Asset Control and Accountability

The Department of Financial Services maintains an inventory of all capital assets, which is updated annually based on certifications from all departments.

Land and Buildings

All acquisitions and disposals of land and buildings must be approved by the Board of Supervisors. The Department of Financial Services will review all minutes to ensure that land and buildings are acquired and disposed of in accordance with Board instructions and make the necessary changes to the land and buildings listings. As part of the budget process, County departments submit space requirements to General Services, who will review all requirements and determine whether additional space is required through lease or acquisition of real property.

Federally funded real estate general requirements:

- a) Title to real property funded from federal funds shall vest with the County and shall be used only for authorized purpose and shall not be encumbered without approval of federal awarding agency.
- b) Approval of the federal awarding agency is required to use the property for other purposes when the County determines it is no longer needed for the original purpose. Use is limited to federal programs consistent with those sponsored by the federal awarding agency.
- c) When the property is no longer needed the County shall request disposition instructions from the federal awarding agency.

In addition to the above general requirements, some awards may have more stringent requirements that will need to be complied with.

Equipment

All acquisitions of equipment must be made in accordance with County policies and procedures and State and Federal regulations. At a minimum all equipment purchases shall be approved by the County Administrator and acquired in accordance with County procurement procedures.

Departments shall notify the Purchasing Agent of all equipment transfers, trade-ins and disposals.

Federally funded equipment general requirements:

- a) Title to equipment funded from federal funds shall vest with the County.
- b) The equipment shall not be used to service non-federal entities for a fee that is less than private companies charge for equivalent services.
- c) The County shall use the equipment for which it was intended as long as it is needed, whether or the not the purpose continues to be supported by federal funds and shall not be encumbered without approval of the federal awarding

agency. When no longer needed for the original purpose the County shall use the equipment in connection with other federally sponsored programs in the following order of priority:

1. Activities sponsored by the federal awarding agency which funded the equipment, then
 2. Activities sponsored by other federal awarding agencies.
- d) When acquiring replacement equipment, the County may use the equipment to be replaced as trade-in or sell the equipment and use the proceeds to offset the cost of the replacement equipment subject to the federal awarding agency.
- e) Equipment records shall include the following:
1. A description of the equipment
 2. Serial number, model number or other identification number
 3. Source of the equipment, award number, CFDA number
 4. Whether title vests with the County or awarding agency
 5. Acquisition date and cost
 6. Information to determine the federal participation percentage
 7. Location and condition of the equipment and the date the information was reported (part of physical inventory)
 8. Ultimate disposition data
- f) Equipment owned by federal agency shall be identified to indicate federal ownership
- g) Physical inventory of the equipment and reconciliation to equipment records shall be conducted at least once every two years.
- h) A control system shall be in effect to ensure adequate safeguard to prevent loss, damage or theft. Any loss, damage or theft shall be fully investigated and documented.
- i) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.
- j) Where the County is authorized or required to sell the equipment, proper sales procedures shall be established to provide for competition to the extent practicable and result in the highest possible return.
- k) When the equipment is no longer needed by the County for the original intended purpose, the equipment may be used for other activities in accordance with the following standards.
1. Equipment with a current fair market value (FMV) exceeding \$5,000, the County may retain the equipment for other uses provided that compensation is made to the original federal awarding agency. Compensation shall be computed by applying the federal participation to the current FMV.
 2. If the County no longer needs the equipment, the County shall request disposition instructions from the federal awarding agency.

In addition to the above general requirements, some awards may have more stringent requirements that will need to be complied with.