

City of Richmond

Administrative Manual

SUBJECT: Budgeting/Purchasing Capital Equipment

SECTION: Finance

POLICY NUMBER: AP 512

INITIAL DATE PREPARED: November 24, 1999 **LAST DATE REVISED:** November 24, 1999

I. Purpose

To establish a regular procedure for the review and approval of the Capital Equipment budget and Capital Equipment purchases for equipment used in City operations, and to control the total amount expended annually for Capital Equipment for City use.

II. Policy

- A. Capital Equipment for City use is equipment that meets the requirements of a capital purchase as defined in the Capitalization Policy (AP 514), excluding equipment that is purchased for specific Capital Improvement Program (CIP) projects. Refer to City Policy AP 701. Capital Equipment for City use is equipment owned by the City of Richmond and used in the conduct of its normal business operations. This equipment is broadly defined to include such things as furniture, filing cabinets, partitions, office machines, automobiles, trucks, construction equipment, radios, communication and alarm devices, computers and computer software for City use, and similar goods purchased for City operations with useful lives of at least three years and costing at least \$2,500. Refer to City Policy AP 514 for specific capitalization policy.
1. Capital Equipment requisitions for equipment costing \$2,500 to \$4,999, shall be processed by Department Directors as any other purchase authorized at their level. The Department Director shall be responsible for containing expenditures to budgeted amounts. Department Directors shall be responsible for tagging and maintaining an inventory of such equipment.
 2. Capital Equipment requisitions for equipment costing \$5,000 and up shall be processed in accordance with this policy and procedure.
 3. Capital Equipment items approved for less than \$10,000 may have overruns up to \$500 or 5% whichever is greater without additional approval. When the item exceeds \$10,000, it requires City Council approval.

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4. A contingency item shall be budgeted to cover overrun potential as described in item #3 above.

- B. Information Technology Department requires additional procedures for the approval of computer-related Capital Equipment. Refer to City Policy AP 651. The Information Technology Steering Committee has review and oversight authority for Information Technology projects. Refer to City Policy AP 652.

- C. The annual budget for Capital Equipment purchases (AP 512-1) is determined at a CIP Committee meeting, or meetings, attended by the City Manager, Director of Finance, Director of Public Services, sponsoring Department Directors and invited staff. Department Directors present itemized schedules of proposed equipment purchases (AP 512-2). These proposed purchases are reviewed and approved or disapproved by the Committee according to the goals and funding ability of the fiscal year budget. The final approved purchases are published as a group of detailed schedules showing all of the proposed Capital Equipment purchases. These schedules become the Approved Capital Equipment Budget List (AP 512-3) by which the Capital Equipment purchases for the fiscal year are monitored, approved and effected.

- D. Requests for purchase of unbudgeted or over-budgeted Capital Equipment may be reviewed by the Committee at the quarterly review meetings. At these meetings, the Approved Capital Equipment Budget List may be revised by substituting new purchase requests for prior requests which are then deleted from the list, or revised downward to accommodate the additional purchases. The objective is to control the total amount expended annually for Capital Equipment purchases. In emergencies, the City Manager may approve the purchase of unbudgeted Capital Equipment by a special memorandum prepared by the Department Director; the emergency purchase will then be included for discussion at the next review meeting, when changes will be formally included in a revised Capital Equipment purchase list. After the quarterly review, Finance/Budget and Analysis staff will revise the Approved Capital Equipment Budget List (AP 512-3) to reflect the changes.

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- E. Capital Equipment purchases are shown in the annual Capital Improvement Program section in the annual budget (AP 501-3). Capital Equipment expenditures are shown in the Monthly Revenue and Expenditure Report in the Capital Equipment section (AP 501-4).

III. Procedure

- A. Department Directors prepare purchase requisitions in accordance with AP 601 and the Procurement Handbook. When the equipment being requested is considered Capital Equipment in accordance with AP 514, the purchase requisition is forwarded to the Public Services Department. The Public Services Department staff review the Capital Equipment Purchase Requisitions against the current Approved Capital Equipment Budget List (AP 512-3) of Capital Equipment.
 - 1. If the item has been budgeted and is within the budgeted amount, Public Services Department staff will proceed with the purchase of the item.
 - 2. If the item has not been budgeted, or exceeds the budgeted amount, Public Services Department staff will affix a Return Notification block (see below), note the reason, initial it, and return the requisition to the responsible Department Director for disposition.
 - 3. An item “exceeds budgeted amount” if the total purchase price, including applicable sales tax, handling and delivery charges, and any other charges, exceeds the budgeted amount by more than \$500, or more than 5%, whichever is greater.
 - 4. Budgeted Capital Equipment less than \$9,500 that results in exceeding the budgeted amount, shall be returned to the committee for re-submission for approval to the City Council.

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CITY CAPITAL EQUIPMENT	
Requisition returned because:	
Item is not on Approved Budget List:	_____
Item exceeds budgeted amount:	_____
By: _____	Date: _____
Public Services Department	

- B. For purchase requests returned to Department Directors, the Department Director may wait until the next quarterly review meeting, at which time the purchase request may be approved by making a substitution or budget change.
- C. For emergency items which are approved by the City Manager, the Public Services Department will forward copies of the approved Purchase Order and copies of the memorandum of approval to the Finance/Budget and Analysis Division.
- D. All approved Capital Equipment purchase orders shall be forwarded to the Finance Department. When the order is received, it will be processed in accordance with AP 506.
- E. Each month, Finance/Budget and Analysis staff will summarize the year-to-date Capital Equipment expenditures on the attached form, "City of Richmond Capital Equipment Expenditure Report" (AP 512-4), in order to provide information and financial control of Capital Equipment spending. The report will be distributed to all Department Directors on a monthly basis. Expenditures are defined as City Capital Equipment items appearing in the section titled Capital Equipment on the Monthly Revenue and Expenditures Report (AP 501-4). There may be timing

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differences between requisition period and expenditure period. Fiscal year timing differences will be noted on the Expenditure Report (AP 512-4).

- F. Capital Equipment shall be tagged by the Public Services Department in accordance with Fixed Asset Management System (AP 520) and the Property Control Handbook.