

# City of Richmond

## Administrative Manual

**SUBJECT:** Capitalization Policy

**SECTION:** Finance

**POLICY NUMBER:** AP 514

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

### **I. Purpose**

To provide a uniform criteria for identifying City expenditures for capitalization, and for the proper asset classification of capital expenditures, including guidelines for the determination of the economic useful lives of assets.

### **II. Policy**

#### **A. Summary of General Policy**

1. It is the general policy of the City of Richmond to identify an expenditure as a capital asset if it meets all of the following requirements:
  - a. is City owned
  - b. costs \$2,500 or more
  - c. has an economic useful life of three or more years
  - d. is intended to provide productive benefit to the City during its useful life.
2. Additional expenditures on existing assets may be capitalized if the asset's productive capacity is significantly improved or the economic useful life of the asset is extended by three or more years. Replacement assets may be capitalized if they meet the four criteria listed above.
3. Capital items in most cases are new or replacement items with long lives. Expense items are generally those which are used up in a short time (less than three years) or are expenditures which maintain an existing asset in good condition, but do not improve it from its original condition.

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4. Low-value capital items (cost below \$2,500) are arbitrarily expensed to reduce the bookkeeping costs of tracking and depreciating them.
5. For various reasons, some City assets may have a reduction in productive benefit not accounted for by normal depreciation. Such assets (if not fully depreciated) shall be removed from City asset accounts or reduced in value, and written off to expense, to the extent that future benefit to the City has been reduced.
6. Expenditures which do not qualify as capital expenditures, where they can reasonably be forecast, should be funded by the annual operating budget.

### **B. Definitions and Policy Interpretation**

#### **1. Asset Expenditure**

- a. Assets may be land, buildings, equipment, roadways, runways, physical goods of various kinds, including ship channels and berths where deepened, computer software, certain intangible long-lived benefits such as air rights and easements, and in certain defined instances, the cost of demolition and relocation of assets. Expenditures for such goods, services and benefits may qualify as capital expenditures. The "cost" of the asset includes purchase price (including sales tax and shipping costs), construction costs (including labor, material and overhead used in construction; and reports, studies, plans, consulting and architectural fees, etc., required in the construction process), capitalized interest (the cost of financing the asset), and in limited, defined instances; (a) the cost of outside legal costs, and (b) qualifying environmental clean up and mitigation expenditures. Note: Warranty costs and maintenance agreements are not capital expenditures; they are operating costs and must be expensed.

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- b. It is City policy to use a unitary concept in order to identify newly purchased or newly constructed assets, and to use a separable concept when replacing, rehabilitating, or improving major components of existing assets. Example: A newly constructed building is identified as a unitary asset, even though it is composed of major sub-components. If the HVAC system of an old building is replaced, the new HVAC system is identified as a separable new component with its own estimated useful life. Major components of City assets may be considered separable and subject to separate asset identification, (i.e.; an HVAC system, a truck engine, a crane cab or a building roof). In these cases, either the separable asset may be given: (a) its own new life; (b) the remaining life of the existing asset; or (c) the life of the major asset may be extended, depending on the facts in each case. In other, more restricted cases, it is City policy to define physical components as integral, non-separable elements of an asset. Replacement expenditures for these non-separable elements are considered maintenance expense of the major asset. Example: It is City policy that when wharf piles are repaired or replaced, such expenditures are considered maintenance expense for the wharf, and are not capitalized. All other pile replacement (wood for wood, concrete for concrete) is considered maintenance work.
- c. For purchases, it is City policy to identify an expenditure as a unitary “system” whenever the components, taken together, may reasonably be understood to work as a single unit. For example, if a purchase order is written for a computer, monitor, keyboard and software, it is understood that this is a purchase of a computer “system”. If these components, purchased together, cost \$2,500 or more (including sales tax and shipping costs), then the expenditure is considered a single purchase of a computer system and is capitalized as a unit. (Note: Warranty costs and maintenance agreements may not be Capital

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Expenditures and must be excluded from the calculation which determines asset cost.)

- d. For purchases in volume of capital items with unit value less than \$2,500 and if the aggregate total of the item exceeds \$2,500, then the group of items may be capitalized providing that the three other tests for capitalization are met (i.e.; they must be City-owned, have an economic useful life of three or more years, and are intended to provide productive benefit to the City). For example, if one filing cabinet is purchased for \$500, the item will be expensed; but if five \$500 cabinets are purchased together, they may be capitalized since the aggregate cost is \$2,500. This policy is subject to further interpretation depending on the facts in each case. For example, the purchase of fifty \$50 wastebaskets would not be considered a capital purchase. In most situations, it is the intention of this policy to capitalize aggregate purchases (\$2,500 or greater) of furniture, fixtures and equipment (including computer software) where unit values are at least in the range of \$500 to \$1,000. Items valued at less than \$500 are generally treated as consumable supplies and expensed even though their useful lives may exceed three years. The reason for this policy is to reduce the bookkeeping and tracking expense for low-valued capital expenditures. The Finance Department will decode policy in those cases where differences of interpretation are otherwise unresolved.

## 2. Depreciation

Assets lose value over time; this loss of value is depreciation cost. The principal objective in accounting for depreciation is to charge each accounting period for the estimated loss in value of the depreciable assets incurred during that period.

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### 3. Economic Useful Life

- a. “Economic useful life” is generally construed to mean the period (years) during which the asset is providing benefit to the City. The “physical life” of an asset is the period (years) in which the asset is able to perform as originally designed, built and maintained. The economic useful life of an asset may be the same as the physical life, or it may be shorter.
- b. It is the general policy of the City to assign asset lives based on an estimate of the period of productive benefit to the City; that is, the economic useful life of the asset. See also “Productive Benefit” below.

### 4. Productive Benefit

- a. “Productive Benefit” is generally construed to mean generation of new revenue, maintenance of existing revenue or reduction in costs resulting from the discretionary spending decisions of City management. (“Customer Service/Relations” is sometimes used as an expenditure justification; this justification is usually considered a sub-category of revenue maintenance.) In addition, assets may be created or purchased as a result of non-discretionary spending necessitated by governmental codes and regulations, or by various safety compliance standards, or by bio remediation and environmental mitigation (such non-discretionary spending may not necessarily provide productive benefit to the City). If an asset is no longer providing productive benefit to the City, its economic useful life has ended even though its physical life may continue.
- b. City assets shall be assigned an estimate of their economic useful life for purposes of depreciation; in cases of non-discretionary spending

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on assets necessitated by codes and regulations, etc., where there is no productive benefit to the City, then the appropriate physical life of the asset shall be assigned for depreciation purposes.

- c. In some categories of assets, consideration should be given to rapid technological change whereby certain City assets may be subject to obsolescence. It is City policy to maintain and improve its position as a world-class maritime port. This means adopting new technology as it becomes available. Where experience and information indicate that a City asset may become technologically obsolete before its economic useful life will end and where the intention of City management is to replace technologically obsolete assets with new assets, then it is appropriate to assign a shorter asset life based on an assessment of the asset's "technologically useful life".
- d. A City asset which no longer has productive benefit to the City, or work-in-progress which no longer is expected to have future benefit to the City, shall be removed from City assets or from work-in-progress (written off to expense) in the accounting period when the facts become known regarding its non-productive status. Sponsoring departments and the Public Services Department are jointly responsible for advising Finance Department when assets have lost expected value or have become worthless, and when work-in-progress is terminated or is restructured in such a way that some or all prior expenditures will no longer have future benefit to the City.

### 5. Asset Efficiency

Some assets produce benefit through repetitive activities -- doing the same task over and over. Some assets have benefits which are limited by asset size, such as roadways whose capacity is limited by size. Whenever expenditures for asset improvements produce significant increases in an

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asset's ability to produce more output or an asset's ability to accommodate increased volumes or larger types, then such an expenditure shall be defined as a Capital Expenditure.

6. **New Facility**

The term "New Facility" generally is used to describe major, newly constructed City assets such as buildings, roads, wharves, dikes, etc. These are major City assets characteristically have long estimated useful lives.

7. **Improvement: General Improvements & Public Improvements**

a. **Improvement**

Improvement is a common term used to describe the construction or purchase of new assets or the betterment of existing facilities or assets. For example, all qualifying expenditures are incorporated into the City "Capital Improvement Program" (CIP). The term "improvement" in a more restricted sense means:

- (i) the substitution of a better asset for one currently in use
- (ii) the expansion of an existing facility to accommodate increased volumes
- (iii) the modification of an existing asset to meet a new or changed use (one not intended by its original design).

b. **General Improvements**

Expenditures for an improvement are capital expenditures and may be given a separable asset life, or an asset life corresponding to the

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remaining life of the existing asset; or the existing asset life may be extended (minimum extension of three years).

c. **Public Improvements**

“Public Improvements” means improvement to assets used by the public: for example; roads, railway terminals, parking lots and garages, sidewalks, parks, etc. Note: Public improvements may qualify for special grant or tax funding.

8. **Leasehold Improvements**

- a. A leasehold is a contractual understanding between a lessor (City) and a lessee (Tenant) that grants the lessee the right to use or improve specific property, owned by the lessor, for a specific period of time.
- b. Leasehold improvements are capitalized providing the long-term lease includes a clause which reverts leased property to the City at the end of the life of the lease.
- c. Tenant improvements which revert to the City at the end of the lease term are recorded as City assets and depreciated over their useful lives; for this class of assets, the minimum useful life shall be the term of the lease agreement with the Tenant.

9. **Replacement**

A “replacement” occurs when a new asset is substituted for an old one. Examples: a new air conditioner, a new boiler, a new engine, a new gangway. The term “replacement” is usually reserved for minor assets. Replacement of a major asset is usually referred to as a New Facility. (Note: “Replacement” assets must meet the four criteria for capital expenditures

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stated in the Summary of General Policy.)

10. **Major Maintenance and Overhaul**

Expenditures on existing assets in which substantial portions, or principal parts, of the asset are replaced with new or rehabilitated, longer-lived components, will be considered as extending the useful life of the asset and shall be deemed to be capital expenditures. These expenditures are usually termed “major maintenance” or “overhaul”. Example: Major re-roofing, overlay of roadways, replacement of wharf sections, overhaul of engines.

11. **Rehabilitation, Restoration, Upgrade, Renovation, Modernization**

These terms are additional descriptive terms used to explain the nature of a Capital Expenditure. They are used in conjunction with the basic terminology: Improvement, Replacement, Major Maintenance. “Rehabilitation” and “Restoration” connote a reconditioning of an existing asset by replacing major worn-out components. “Upgrade” suggests that an old asset is being replaced with a newer or more efficient one, or that major maintenance expenditures will result in a significantly improved or longer-lived asset. “Renovation” and “Modernization” generally mean asset improvements which are brighter, newer or more technologically advanced, and consequently are more acceptable to customers and tenants because they are perceived as up-to-date. (Not sub-standard, old fashioned or worn-out from hard use.)

12. **Reinstallation, Relocation and Rearrangement**

Reinstallation, relocation and rearrangement costs are expenditures that will benefit future periods because an asset has increased value in a new location or in a new configuration; these are Capital Expenditures. Example: relocating a City-owned office trailer from one site to another. (Note: In this

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example, if the office trailer is not owned by the City, then the relocation costs are operating expenses.)

The asset must provide productive benefit to the City in order for the expenditure to qualify as a Capital Expenditure. For example, a rearrangement of office space used by City employees is not a Capital Expenditure.

13. **Painting**

- a. The original paint work on new assets is part of the capitalized cost of the asset.
- b. Repainting weathered or soiled surfaces (cosmetic painting) is considered asset maintenance and is not a Capital Expenditure; such expenditures, where they can be reasonably forecasted, should be funded by the annual operating budget.
- c. Repainting, as part of a general refurbishment of premises performed as inducement to City tenants, may be amortized over the life of lease agreements, where new or incremental productive benefit is generated. (See “Repairing,” paragraph 14 below.)

14. **Repairing: Normal, Catastrophic Failure, Tenant Agreement**

- a. Repairs are partial replacements of a relatively minor nature and are expenditures necessary for the attainment of normal life expectancy of the asset.
- b. Minor remedies and repairs of faulty, worn or damaged assets are normal repair work. They are considered asset maintenance and are operating expenses. Such expenditures, where they can be reasonably

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forecasted, should be funded by the City operating budget. Examples: broken windows, faulty plumbing, cracked pavements, defective crane wheels, replacement of lighting ballasts, tree trimming, dike repairs. Note: Repair of a damaged dike shall be considered an operating expense. However, the cost of repairing a dike due to catastrophic failure (earthquake) may be considered a Capital Expenditure. (See below.)

- c. Catastrophic failure is major damage resulting from very infrequent natural occurrences such as large-magnitude earthquakes.
  - (i) Expenditures for repairs of major damage resulting from catastrophic failure will normally be classified as capital expenditures since this type of work is usually considered to be replacement in whole or large part, thereby extending the life of the asset at least three years.
  - (ii) Minor damage resulting from catastrophic failure will normally be classified as expense work since expenditures for repairs normally only return the asset to its original condition, and do not extend the life of the asset. These expenditures for minor damage shall be shown as an extraordinary item on the income statement that is “below the line” (not in operations).
- d. In order to generate new or additional productive benefit, or maintain existing productive benefit, City management may make expenditures to refurbish tenant office/work space as an inducement to occupy the premises, or as a condition of new lease agreements. This refurbishment normally includes a variety of work such as painting, cleaning and repairing that is not capital work.
  - (i) Expenditures for refurbishment work that is not capital work

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(painting and repairs) may be amortized over the life of new lease agreements. If there is no tenant nor lease agreement, then these expenditures must be expensed as part of normal operations. Note: Painting, cleaning and minor repair work is not capital work. If the decision is made to amortize these non-capital costs, an expense work order should be written and a copy conveyed to Finance (with memo specifying the period of the new lease agreement) so that proper bookkeeping entries may be made.

- (ii) Non-capital expenditures for refurbishing premises of existing tenants, within terms of existing leases (which provide that the City shall maintain the premises), should be expensed as part of normal operations.

### 15. Landscaping

- a. Landscaping is the ornamental decoration of exterior City property and may include flowering plants, shrubs, trees, vines, plant containers, irrigation systems, decorative lights, fountains, statues, monuments, pedestrian walkways, benches, ash urns, and other exterior improvements of an ornamental and/or horticultural nature.
- b. To qualify as capital work, landscaping must meet the four criteria specified in the Summary of General Policy.
- c. It is City policy to capitalize major landscaping projects.
- d. Scheduled plant maintenance shall be categorized as operating expense.
- e. Plant and tree trimming and debris removal is an operating expense.

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- f. Replacement of flowering plants and shrubs shall be an operating expense unless the plantings are expected to remain for at least three years; in that case the expenditure shall be capitalized and depreciated for the number of years the plantings are expected to remain.
- g. Replacement of trees and lawns shall be Capital Expenditures. Replacement of lawns must include replacement of sod; re-seeding of a lawn is an operating expense.
- h. The Christmas lighting program is an annual operating expense.
- i. See also the references to landscaping in the Guidelines for Estimated Useful Lives.

### 16. **Equipment**

- a. The term “equipment” for City purposes is used for broad categories of assets and includes all rolling stock (trucks, automobiles, cranes, forklifts, etc.), boats, communication and information systems (radios, computers, noise monitors), security and surveillance systems, revenue control systems, and, in general, those assets whose major characteristic are systems with electronic and/or moving parts designed for the purpose of transportation, information and security.
- b. All proposed computer equipment purchases must be reviewed by the Information Technology Steering Committee (AP 652) for compatibility with City standards and serviceability.
- c. **Accounting Methods**
  - (i) All Capital Expenditures shall be properly classified and

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recorded in the Fixed Asset System and the General Ledger in accordance with generally accepted accounting principles. An asset will be placed in the Fixed Asset System when construction is completed or the asset is placed in service (whichever is earlier) or, in the case of Capital Equipment purchases, when title passes to the City.

- (ii) Depreciation of assets begins in the fiscal year following the fiscal year in which they are capitalized and placed in service. The City uses the straight-line method of depreciation (equal amounts each year). Assets are valued at historical cost (i.e.; the cost of the asset at the time of acquisition or construction).

### III. Specific Policy

#### A. Dredging and Deepening

1. Maintenance dredging is considered asset maintenance and is therefore not a capitalizable expenditure.
2. It is City policy to capitalize the deepening of channels and berths and to categorize such expenditures to the asset "Land." (The deepening is expected to be maintained indefinitely; therefore, there is no finite life for deepening projects.) Land is not depreciated.

#### B. Wharf & Pile Inspection and Maintenance/Pile Replacement

Inspection and maintenance of wharves and piles are considered asset maintenance and are therefore not capitalized expenditures. It is City policy to classify pile replacement as maintenance of the wharf. Provision shall be made in the operating budget for expenditures associated with wharf and pile inspection and maintenance, and pile replacement.

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Exception: If wooden piles are replaced with concrete piles, the work is an asset upgrade and may be capitalized. All other pile replacement (wood for wood or concrete for concrete) is considered wharf maintenance work.

### C. **Demolition**

The cost of demolishing an asset may be categorized as capital or as expense, depending on the facts. If an asset is demolished to clear the site for a new asset to be built in the immediate future, then the expenditure is capitalized as part of the cost of the new asset. If an asset is demolished because it is old and/or useless (and may represent a hazard, nuisance or liability because of its age and condition) and there is no intention to construct or erect a specific new asset on the site of the demolished asset, then City policy requires that the demolition is categorized as expense.

Exception: If the cleared area itself becomes a new asset and generates new productive benefit to the City (Example; new yard space utilized by a tenant), then the demolition expenditure shall be capitalized as a cost of the new asset. If, however, the cleared area does not generate new productive benefit, then the demolition is categorized as expense.

### D. **Environmental Cleanup and Mitigation Costs/Environmental Studies & EIRs**

#### 1. **Environmental Cleanup Costs**

- a. Environmental clean-up and remediation costs normally are operating expenses, except when the expenditure is required as part of the construction or improvement of a specific asset (and is an identified item in the budget cost of construction or improvement).
- b. When construction or improvement of an asset reveals environmental contamination that requires removal, then the cost of removing the contaminants, including consulting fees, laboratory testing,

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environmental reporting, etc., shall be part of the capitalized construction or improvement costs.

- c. Environmental clean-up costs are not generally considered an improvement to land, and normally are considered to be operating costs.

Exception: Expenditures for environmental clean-up when performed in conjunction with a land purchase or sale, and when recognized as a requirement for the future beneficial use of the land by the purchaser, then the clean-up expenditures are part of the cost of the land purchased or sold.

### 2. Environmental Mitigation Costs

- a. Environmental mitigation expenditures are capitalized when required as part of construction or improvement of City assets.
- b. If mitigation costs are not associated with City construction or improvement of specific assets, then the costs are operating expenses.

### 3. Environmental Studies and EIRs

- a. Studies of vegetation and wildlife which are required to understand the environmental impact of construction and improvement projects are part of the capitalizable cost of the asset.
- b. Environmental Impact Reports (EIR's) performed in conjunction with the construction and improvement of City assets are capital costs.

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F. **Roofing**

Roof patching and sealing, and minor roof repairs are considered to be asset maintenance and are not capitalized. Major roof coatings (entire roof), major re-roofing and replacement of large roof sections are considered to extend the life of the roof and are deemed to be capitalized expenditures.

G. **Long-Range Development Plans**

1. The purpose of Development Plans is to examine the current status of City facilities and to project future needs based upon expected future activity levels. A Long-Range Development Plan provides an orderly long-range plan to meet expected future needs through the incremental development and construction of new and expanded facilities. Consequently, a Development Plan has future economic benefit to the City as it guides the annual Capital Improvement Program toward the City's long-range goals and objectives.
2. Expenditures on Long-Range Development Plans are capital expenditures. These include City labor and overhead, consultant fees and expenses, and ancillary studies, surveys, reports, etc.
3. It is City policy to capitalize the annual Development Plan cost each year (move to Fixed Assets) and depreciate the additional annual costs over the remaining life of the Plan.
4. A Development Plan normally has a fixed life (years) and is not extended. If a new Plan is created, a portion of the value of a terminated Development Plan may be transferred to the new Plan, depending on management's assessment of the value.
5. A Development Plan or a discrete portion of a Development Plan which no longer has productive benefit to the City, or no longer is expected to have

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future benefit to the City, shall be removed from the City assets (written off to expense) in the accounting period when the facts become known regarding its non-productive status.

### H. Studies, Surveys, Maps, Reports, Permits, Consultant/Architect Fees

1. Studies, surveys, maps, reports, permits, consultant and architectural fees, and similar information and planning costs which are necessary for the purchase or construction of specific City-owned assets are considered part of the cost of the asset; these costs are deemed to be capital expenditures.
2. Studies, surveys, maps, etc., which do not result in anticipated capital purchase or construction shall be removed from City assets (written off to expense) in the accounting period when the facts become known.
3. Feasibility studies and other preliminary work for capital improvement projects which are proposed for a future time shall be periodically reviewed, and a portion or all of the costs may be written off to expense depending on the current assessment of their continuing value to the City.
4. Expenditures for stand-alone studies which are not performed as part of the planning for specific City capital improvement projects are considered to be operating expenses, even though performed for a class of assets or for a general understanding of capital work.
5. Studies for capital projects that are not City-owned are expensed.
6. Mapping programs conducted for the purpose of identifying City assets for maintaining up-to-date maps of City property have an uncertain future value and useful life, and consequently are considered to be operating expenditures; except for those items (such as Computer Software) which would normally be considered capital expenditures.

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### I. Economic Impact Models

1. Economic Impact Models are created to assess the effect of various City programs on the local and regional economy of the Bay Area. Since the value and estimated useful life of such models are imprecise and uncertain, and since the relationship to City assets is not clearly recognizable, it is City policy to categorize expenditures for such models as operating costs.
2. Expenditures associated with Economic Impact Models which are normally capitalizable, such as software, are capital costs (see “Computer Software” discussed below).

### J. Manuals

1. Manuals which are bundled into (received with) the purchase of a capital asset are part of the cost of that asset.
2. An original manual created in order to provide instruction for the operation of a new City asset is a capitalizable cost of the asset.
3. Changes and updates to the original manual are not capital costs and shall be expensed in the accounting period in which they occur.
4. A manual created for the operation of a new City asset will be considered completed and placed in service within one year of the asset being placed in service. After one year limit, any additional costs for the manual, including updates and revisions, will be expensed.
5. Manuals (either purchased or created) which are not associated with purchase or construction of a new City asset are expensed.

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### K. Computer Software

1. Purchased computer software will be subject to the \$2,500 limit for capital assets and will be depreciated over three years.
2. All proposed computer software purchases must be reviewed by the Information Technology Steering Committee (AP 652) for compatibility with City standards and serviceability.

### L. Outside Legal Costs

Outside legal costs are capitalized if they are incurred in direct connection with the acquisition or construction of a capital asset, or if they are incurred as a result of direct action which impedes (interrupts) the process of acquisition or construction of a capital asset.

### M. Capitalized Interest

The cost of constructed assets also includes interest incurred on borrowed construction funds during the construction period. The City issues work orders to accumulate all the costs of a project. Capitalized interest is computed based on these accumulated costs. The capitalization period begins when the debt is incurred and ends when the asset is ready for its intended use.

## IV. Guidelines for the Estimated Economic Useful Lives of Assets

### A. General Consideration for Estimating Useful Lives

1. The following paragraphs contain guidelines for assigning economic useful lives. A range of lives is given. When assigning a life to an asset, all relevant information should be considered. In general, experience serves as a guide to estimating normal life expectancy.

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2. Several considerations are necessary to make plausible estimates of the economic useful lives of various kinds of assets:
  - a. **Engineering Estimate.** The most important consideration is the Engineering estimate of the useful physical life, which is based on the quality of materials and methods specified by Engineering in the design and construction of the asset, as well as Engineering's understanding of the level of activity to be sustained by the asset (heavy-duty versus light-duty).
  - b. **Maintenance Policy.** It is important to make an assessment of the level of scheduled maintenance of the asset: the higher the level of maintenance, the longer will be the economic useful life of the asset.
  - c. **Productive Benefit Generation.** In some cases it is important to consider the productive benefit to be generated by the asset. If a specialized asset is purchased or constructed for a specific tenant, for example, the economic useful life may end if the tenant vacates the premises. In such cases, the life of the asset should be limited to the period of agreement with the tenant, unless there is reasonable certainty that the asset will continue to have productive benefit to the City beyond the term of the agreement.
  - d. **Tenant improvements which revert to the City at the end of the lease term are recorded as City assets and depreciated over their useful lives; for this class of assets the minimum useful life shall be the term of the lease agreement with the Tenant. See "Leasehold Improvements".**
  - e. **Obsolescence.** Assets may lose value as a result of the development of new technology. This includes such things as changes in design,

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materials or processes that cause existing assets to be inadequate, have comparatively high operating costs, or be unacceptable to tenants, regulators and the public. Where there is relatively fast technological progress such as in electronics, power generation and consumption, and computers and computer software, obsolescence may be a key consideration. Where experience and information indicate that a City asset may become technologically obsolete before its economic useful life will end, and where the intention of City management is to replace technologically obsolete assets with new assets, then it is appropriate to assign a shorter asset life based on an assessment of the asset's technologically useful life.

### **B. Guidelines for Estimated Useful Lives –**

1. Items listed below must:
  - be City-owned assets;
  - cost at least \$2,500;
  - have a minimum 3-year life; and
  - provide productive benefit to the City.
  
2. 3-5 Year Life
  - Carpets (Heavy Use)
  - Cars and Light Trucks
  - Computer Hardware & Purchased Software
  - Computer Software, Consultant-Developed
  - Engine Overhauls
  - Equipment, Light Duty
  - Landscaping (Limited Changes)
  - Parking Bumps, Speed Bumps
  - Parking Lot Striping, Stenciling; Painted Walkways
  - Public Signs, Graphics, Banners
  - Ramp & Roof Sealers

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Utility Hookups to Mobile Offices

3. 5-10 Year Life
  - Air Conditioners
  - Carpets (Light Use)
  - Channel Re-deepening
  - Equipment & Trucks-Heavy Duty
  - Equipment & Truck Motors, Replacement
  - Interior Partitions (Modifications, Renovations)
  - Long-Range Development Plans
  - Noise Monitoring Systems
  - Office Furniture & Fixtures
  - Roof Coatings
  
4. 10-20 Year Life
  - Boilers & Chillers
  - Communication Systems
  - Electronic Surveillance & Security Systems
  - Exhaust Systems
  - HVAC Systems
  - Landscaping (Major Changes)
  - Marina Berths (Minor Apparatus:
    - Floats, Whalers, Deck Boards, Gangways, etc.)
  - Office Building Access Control Systems
  - Pavement Overlays (Heavy Use)
  - Revenue Control Systems
  - Roll-Up Doors
  - Sanitary/Storm Water Pump Stations
  
5. 20-30 Year Life
  - Access Ladders, Platform and Walkways
  - Building Renovations & Improvements

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- Chain Link Fences
- Check Valve
- Cranes
- Current Regulators
- Dike Improvements
- Electrical Switchgear, Electrical Systems
- Fuel Tanks
- Gas Lines & Gas Distribution Systems
- Gates and Gate Complexes
- Heating & Cooling Replacements
- Landscaping (Newly Installed Major Projects)
- Lights and Lighting Systems
- Marina (Major Renovations)
- Pavement Overlays (Light Use)
- Restroom Facility Replacement
- Roadway Improvements
- Roof Replacement
- Sewers & Drainage Systems
- Sprinkler Systems
- Underground Conduits
- Utility Meters
- Waste Water Mechanical Components
- Water Lines, Water Pumps & Water Systems
- Wharf Renovations & Improvements
- Wooden Piles

6. 30-50 Year Life (Newly Constructed Assets)
  - Berths
  - Buildings
  - Concrete Piles
  - Crane Rails
  - Dikes

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Parking Garages  
Railroad Stations  
Railroads  
Roads  
Waste Water/Storm Water Systems  
Wharves  
Yard Space

7. Unlimited Life (No Deprecation)  
Channel and Berth Deepening  
Easements  
Land