



Administrative Regulations

Number AR15-4
Issue 4

Subject: Procedures for Capital Outlay Expenditures.

MEMORANDUM

date October 6, 1993
to Distribution
from Bob Torrez, Manager-Budget Management Bureau
subject Revised AR 15-4, Procedures for Capital Outlay Expenditures

Attached please find Administrative Regulation 15-4, which has been revised to reflect the new budget policy.

Please call me at 6427 or your assigned Budget Bureau Analyst if you have any questions.
Distribution: Department Heads

Budget Coordinators

BT:gm
Attachment

ADMINISTRATIVE REGULATION

Number 15-4
Issue 4
SUBJECT: Procedures for Capital Outlay Expenditures

I. PURPOSE

To provide uniform guidelines and assign responsibility for Capital Outlay expenditure control.

II.SCOPE

This regulation is applicable to all actions of City departments and Offices directly responsible to the City Manager.

III.POLICY

The Director of Financial Management is responsible for monitoring the administration of the annual budget to ensure adherence to approved appropriation levels. Further, it is the responsibility of the City Purchasing Agent to assist in the proper administration of the annual budget through the purchasing process. It is also the responsibility of each department head to administer the department's annual budget, to ensure adherence to approved appropriation levels and to alert the Director of Financial Management of any need for deviation from the approved budget. IV.DEFINITION/PROCEDURES

Departments may purchase/lease capital outlays at their discretion provided that sufficient funds are available within each department's budgeted appropriations. However, requests for the acquisition of computer equipment and related components must be submitted to and reviewed by the Information Services Bureau to ensure conformance to established standards and compatibility with existing systems.

The acquisition of individual machinery, equipment, major software systems, furniture or office equipment items with a total unit cost (which includes freight, sales tax and installation charges) of \$1,000 or more is considered a capital outlay. "Acquisition" includes both direct purchase and lease-purchase arrangements. Purchases must be charged to the Capital Outlay object codes in the financial system; lease-purchase arrangements must also be charged to appropriate capital outlay object codes if the lease qualifies as a capital lease.

A lease is considered to be a Capital Lease if it meets one or more of the following requirements:

- a. By the end of the lease term, ownership of the leased property transfers to the lessee;
- b. The lease contains a bargain purchase option;
- c. The lease term is substantially (75% or more) equal to the estimated useful life of the leased property; and,
- d. At the inception of the lease, the present value of minimum lease payments is 90% or more of the fair market value of the leased property.

If a lease does not qualify as a capital lease, the expenditure must be charged to the appropriate non-personal services object code.