

Asset Management Policy

Adopted April 2, 2013 by Resolution 2013 -02
Amended on XX by Resolution XX

A. Capital Assets Defined

The term capital assets is used to describe assets that are used in operations and that have a useful life extending beyond a single reporting period. Capital Assets ~~mean~~ are land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art, historical treasures, infrastructure and all other tangible or intangible assets that are used by the City.

B. Capital Asset Assessment, Maintenance and Replacement

The performance and continued use of capital assets is essential to the health, safety, economic development and quality of life of those receiving City services. The City should assess the physical condition of each capital asset periodically to properly maintain it. The measures and standards utilized in the assessment should be understandable and reliable. Such standards may be dictated by mandated safety requirements, federal, state or other funding requirements, applicable engineering and other professional standards including software models.

A Capital Improvement Plan (CIP) is a short-range plan, usually three to ten years, which identifies capital projects and equipment purchases, provides a planning schedule for the completion of capital projects or equipment purchases, and identifies options for financing the projects and purchases identified in the plan. The City should create and maintain a CIP program to assist in the maintenance and replacement of capital assets. Maintenance and replacement plans for assets should be prioritized in accordance with overall goals and objectives to maintain expected service levels.

Allocating sufficient funds in the multi-year capital plan and annual operations budget for condition assessment, preventative maintenance, repair and replacement of capital assets in order to continue the provision of services that contribute to public health, safety, and quality of life to our residents is important. While a dedicated source of funding is not available, the City shall strive to resolve this short-fall in funding.

The Finance Director should provide to City Council a Report on Capital Facilities, at least every three years. A Report on Capital Facilities describes the condition ratings compared to established standards; condition ratings by area or asset class; replacement life cycle; actual expenditures or performance data on maintenance costs; and other relevant data.

Best Practices B-001; E-005

C. Capitalization Thresholds

~~Assets are capitalized~~ Asset capitalization is primarily for the purposes of the City's external financial reports. Capital assets are capitalized at cost (or estimated historical cost), except for donated capital assets that are capitalized at their fair market value on the date donated. The City maintains a capitalization threshold of five thousand dollars (\$5,000).

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Best Practices A-012

D. Controlled Capital-type Items

Noncapitalized assets that require special attention because they are sensitive for one or more reasons are called “controlled capital-type items.”

The City must maintain adequate control over the noncapitalized items for the following reasons:

- ~~1.~~ 1. To ensure legal compliance. Legal or contractual provisions may require a higher than ordinary level of accountability over certain items (e.g., items acquired through grant contracts);
- ~~4.2.~~ 2. To protect public safety and avoid potential liability. This category includes items which, by their very nature pose a risk to public safety and could be the source of potential liability (e.g., police weapons); and
- ~~2.3.~~ 3. To compensate for a heightened risk of theft. Some items are both easily transportable and readily marketable or easily diverted to personal use (e.g., sound equipment).

Each individual department, rather than the finance department will be responsible for the control efforts for controlled capital-type items as an integral process of its operations. Each department must maintain a list of these controlled capital-type items and update as necessary when changes occur.

The Finance Department should periodically verify the reliability and completeness of data on the controlled capital-type items on file in each.

Best Practices A-010

E. Environmental Practices in the Capital Improvement Plan

When designing the Capital Improvement Plan (CIP) the City should consider environmental practices that reduce the ongoing impacts or footprint, to the extent it is practical to do so. The CIP will balance proactive environmental stewardship with fiscal responsibility.

Best Practices E-009

F. Perpetual and Periodic Inventory

The City will utilize a perpetual inventory system to maintain control of the City’s tangible assets except for infrastructure. A perpetual inventory system is constantly updated to reflect the additions and deletions of tangible capital assets, thus providing reliable current balance information ~~throughout the year.~~ A sound perpetual inventory system relieves the City of the burden of performing an inventory of tangible capital assets.

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A periodic inventory is a physical inventory of the City's tangible capital assets ~~including tangible assets~~. A periodic inventory is recommended, at least on a test basis, no less often than once every five years.

Best Practices A-022; B-001

G. Useful Life of Capital Assets

Depreciation is the systematic and rational allocation of the cost of a capital asset over its useful life. Depreciation and useful life is a financial report concept with the principal concern being the information needs of the users of the City's external financial reports. Useful lives for the City's capital assets are based on the City's historical records of necessary improvements and replacement of those assets, warranty life, quality of materials and workmanship, environmental conditions, application or use of those assets, or experience from other governments or enterprises.

Depreciation is computed using the straight-line method over the following useful lives:

- land improvements, 20 – 60 years;
- buildings, 50 years;
- equipment, 5 – 10 years;
- vehicles, 3 – 10 years;
- streets, 15 – 45 years;
- and storm sewers, 50 years.

Best Practices A-027