

**COUNTY OF SAN DIEGO, CALIFORNIA
BOARD OF SUPERVISORS POLICY**

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Purpose

To establish funding methods, administration and control, and allowable uses of the Capital Program Funds.

Background

The Capital Outlay Fund was established by the Board of Supervisors in Fiscal Year 1979-80 to provide centralized budgeting and accounting for the County's capital projects. Over the years, additional capital funds were added. As a result, there are now six funds that comprise the Capital Program Funds. One is specific to library capital projects, one is specific to justice or public safety capital projects, one is specific to health and human services capital projects, one to parks capital projects, one is for those projects that do not fall into the previous categories and the last is for routine major maintenance that requires capitalization for financial reporting purposes. (See also Board Policy F-38 – *Edgemoor Property Development*).

Policy

It is the policy of the Board of Supervisors that:

1. The Capital Program Funds, currently comprised of six major funds, provide centralized budgeting and accounting for the County's capital projects outside of enterprise funds.
2. The Capital Program Funds shall be used for:
 - The acquisition and construction of new public improvements including buildings, initial furnishings, and equipment.
 - Land and permanent on- and off-site improvements necessary for the completion of a capital project.
 - The replacement or reconstruction of permanent public improvements which extends the useful life, increases the building's ability to provide service, or changes the functionality of an existing asset or certain areas of the existing asset.
3. The following shall not be budgeted and expended in the Capital Program Funds:
 - Expenditures which will not extend the useful life, increase the building's ability to provide service or change functionality of the structure, but will only bring the facility to a sound condition, are considered routine operating expenses for financial reporting purposes.

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- o Feasibility studies, facility master plans or other analytical or research activities which do not relate directly to the implementation for a project.
- 4. A project scope and budget must be clearly defined and submitted to the Board of Supervisors for approval before project funds can be encumbered and expended, with the exception of department operating expenses for routine major maintenance that require capitalization for financial reporting purposes.
- 5. The Board of Supervisors may appropriate any legal source(s) of funding to the Capital Program Funds, as required for projects.
 - a) On occasion, a routine major maintenance project planned as an operating expense will experience scope changes which require the planned expense to instead be capitalized for financial reporting purposes and/or an emergent maintenance need will occur subsequent to the development of the budget. Alternatively, a project originally planned to be capitalized for financial reporting and appropriated in the Major Maintenance Capital Outlay Fund (MMCOF) may be subsequently reclassified as an operating expense for financial reporting purposes or a project may be cancelled or completed below budget.
 - i. To ensure accuracy in financial reporting, the Deputy Chief Administrative Officer/Auditor and Controller shall make required appropriations adjustments to departmental operating budgets and within the MMCOF and/or the Major Maintenance Internal Service Fund (MMISF).
 - ii. Any appropriation adjustments made in accordance with section (5)(a) above that increase (or decrease) departmental operating transfers out to the MMCOF and/or increase (or decrease) total MMCOF appropriations or the total MMISF appropriations will be ratified by the Board of Supervisors in the subsequent quarterly budget status report.
- 6. All proceeds from the sale of capital assets (land and structures) shall be allocated to the Capital Program Funds in the form of an increase to the General Fund unless otherwise specifically directed by the Board of Supervisors.
- 7. The Chief Administrative Officer shall establish, through administrative policies and procedures, appropriate controls on the scope of projects and expenditure of funds.
- 8. Procedures for timely closure of projects and the return of unexpended project funds to the original funding source shall be established by the Deputy Chief Administrative Officer/Auditor and Controller.

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9. An annual Capital Improvements Needs Assessment shall be prepared and presented to the Board of Supervisors in accordance with Board Policy G-16, *Capital Facilities and Space Planning* to guide the development of both immediate and long-term capital projects in the Capital Program Funds.

Sunset Date

This policy will be reviewed for consideration by 12-31-20.

Board Action

- 1/2/79 (21)
- 6/2/81 (14)
- 7/26/88 (43)
- 12/12/89 (49)
- 6/5/90 (43)
- 10/23/90 (45)
- 2/12/91 (22)
- 5/15/96 (11)
- 8/12/97 (15)
- 5/16/06 (16)
- 12/09/08 (33)
- 11/05/13 (19)
- 10/30/18 (23)

CAO Reference

1. Deputy Chief Administrative Officer /Auditor and Controller