ADMINISTRATIVE POLICY

SECTION 400 Finance Management	**POLICY** 415
TITLE Capital	**IMPLEMENTED BY PROCEDURE** N/A
SPONSORING DEPARTMENT Finance	**R&O** 26-39
ADOPTED May 5, 2026	**REVIEWED** N/A**/REVISED** N/A

PURPOSE

To establish principles for capital planning and asset management that promote financial sustainability and responsible stewardship of County assets. Adherence to adopted policies ensures the integrity and clarity of the financial planning process, which can lead to improvement in bond ratings and lower cost of capital.

AUTHORITY

Under Washington County charter and code, and per Administrative Policy 101 (Administrative Policies and Procedures Authorization), the authority to establish and enforce this policy is granted by the Washington County Board of Commissioners (BCC) and the County Administrator. Oversight of capital planning and asset management activities under this policy will be delegated to department heads and the Chief Financial Officer (CFO) under the direction of the County Administrator. This policy adheres to Oregon Local Budget Law (ORS 294.305-294.565) and is used in conjunction with other County Financial Policies, specifically Administrative Policy 405 (Grants) and Administrative Policy 431 (Debt Management).

DEFINITIONS

1. Asset Inventory: A listing of all assets owned by the County and tied to assets that are capitalized and recorded on financial statements.
2. Asset Management: The process used by the County to operate, maintain, upgrade, and replace assets in a cost-effective manner based on condition and risk.
3. Capital Asset: Property held by the County with a useful life exceeding one year and a cost above the threshold for the asset class as defined by the asset class schedule maintained by Finance.
4. Capital Project: The acquisition, construction, major renovation, or replacement of a capital asset. Capital projects of $300,000 and over, and with a life cycle of at least five years, are included in the Capital Improvement Plan. Note: not all capital projects will be included in the CIP if they are renewal and replacement.

5. Capital Improvement Plan (CIP): The County's formal multi-year plan for capital projects ($300,000 or more), prepared and adopted as part of the County's annual budget process. The CIP includes three categories of capital projects – maintenance/ preservation, modernization, and expansion. The CIP includes new or above like-for- like replacement projects.
6. Capital Maintenance: Expenditures for repair and maintenance services not provided directly by County personnel that replace, renew, or extend the useful life of an existing asset. Also called Maintenance and Preservation within the context of land use and roads projects, or Renewal and Replacement within the context of facilities or technology projects. For purposes of this policy, Capital Maintenance does not include minor alterations, ordinary and routine repair, or efforts necessary to preserve or repair an asset due to normal wear and tear so that it reaches its intended useful life.
7. Condition Assessment Report: An assessment that describes the current condition of assets, compares this condition to a standard for asset condition, accounts for the full cost to maintain assets up to standard condition over their life cycle, accounts for risks associated with assets that are below standard condition, and projects equipment replacement and maintenance needs for a multi-year period.
8. Expansion Projects: Capital projects for new infrastructure and facilities.
9. Lifecycle Cost: The total cost of owning and operating an asset over its useful life, including design, construction, operation, maintenance, and disposal.
10. Like-For-Like Repair: The substitution of an existing capital asset with a new asset that performs the same function, has similar specifications (e.g., capacity, size, performance), and/or does not represent a material upgrade or expansion in scope. A like-for-like repair may also include minor changes to meet updated codes, standards, or manufacturer availability.
11. Modernization Projects: Capital projects for improvements or upgrades to existing assets and infrastructure.

GENERAL POLICY

The Capital Policy provides a framework for managing the County's capital assets and planning for future capital needs consistent with overall organizational goals and capital investment priorities. The County shall operate and maintain its physical assets in a manner that protects the public investment and ensures their maximum useful life is achieved. Funding for capital projects as defined in this policy must be approved by the Board of Commissioners as outlined in this policy.

This policy applies to Capital Projects and Capital Assets as defined herein and is not intended for leases or subscription-based implementation arrangements (SBITAs), which may be capitalized if they meet specific criteria. GASB 87 and GASB 96 provide accounting treatment

guidance for leases and SBITAs, respectively, and these GASB rules should be considered for budgeting and financial reporting.

POLICY GUIDELINES

Provides the practical, detailed guidance for implementation and compliance (think "how to apply" the policy, decision criteria, examples).

1. Asset Management
   1.1. Procedures: Departments managing assets should establish and maintain clear procedures for monitoring, maintaining, repairing, and replacing essential components of capital assets. Required funding for repairs and maintenance is requested by departments in operating budgets during the annual budget process.
   1.2. Asset Inventory Reports: An asset inventory should be conducted as needed (typically at least every two years) to maintain effective control over all tangible capital assets owned and used by the County.
   1.3. Condition Assessment Reports: Condition assessment reports should be conducted as needed (typically at least every five years) to develop renewal and replacement schedules with updated useful life and replacement cost estimates.
   1.4. Renewal and Replacement Reserves: Renewal and replacement reserves should be established to ensure sufficient resources are available for capital maintenance or replacement, so that County assets meet or exceed their estimated useful life. New capital projects should be added to renewal and replacement schedules upon completion. An exception is transportation preservation/maintenance projects, which are funded through the Road Fund using a separate Board-approved process.
   1.5. Assets Purchased with Grant Funds: Per Administrative Policy 450 (Grants), all equipment purchased using federal or state grant funds must be recorded in a designated County asset management system and include required details to ensure compliance with 2 CFR 200. All grant expenditures must be tracked separately and reported according to grantor requirements and County fiscal policies.
   1.6. Accounting: Capital assets should be accounted for using capitalization thresholds and accounting policies that ensure accurate classification and compliance with GAAP, GASB, and other applicable standards. Asset acquisitions, disposals, transfers, and depreciation or amortization should be tracked. Useful lives and residual values of assets should be reviewed periodically. Capital asset schedules should be prepared and reconciled for financial reporting, with supporting documentation maintained. Asset schedules should be verified through regular physical inventory processes.
   1.7. Disposal: Disposal of County-owned property will be carried out in accordance with applicable law, County policy and rules.

2. Capital Improvement Plan (CIP)

   The County shall employ a multi-year CIP encompassing a minimum of five (5) years that is renewed annually on a rolling basis in conjunction with the budget cycle. The CIP includes all capital projects with a budget of $300,000 or more (in alignment with County procurement limits), as well as all capital maintenance projects that are more than a like-for-like repair and have a budget of $300,000 or more. The first year of the adopted CIP shall be included in the proposed budget.

   2.1. Strategic Alignment: Projects proposed in the CIP should align with other organizational strategic or master plans.

   2.2. Balanced CIP: The CIP is a balanced, long-term plan. For the entire period of the CIP, resources will be equal to the projected costs. It is possible that the plan will have more costs than resources in any single year, with the exception of the first year.

   2.3. Emergency Capital Projects: Capital projects that are emergency in nature may be considered outside the annual CIP process. If the project does not require additional budgetary authority, the County Administrator may approve the project and shall report the approval to the BCC. If the project requires additional budget authority, it must be approved by the BCC.

   2.4. LUT Capital Maintenance/Preservation Projects: While not capitalized, LUT capital maintenance/preservation projects (those with costs of $300,000 or more and that are beyond a like-for-like repair of an existing capital asset as defined in this policy) must be included in the CIP and obtain Board approval.

   2.5. CIP Exclusions: Transportation maintenance/preservation projects and capital like-for-like repairs are typically not included in the CIP. Transportation maintenance/preservation projects and programs are typically detailed separately from the CIP in the Board-approved Annual Road Maintenance Work Plan. Other departmental like-for-like renewal and replacement projects are approved through the operating budget processes.

3. Cost Assessment and Funding of Capital Assets and Capital Projects

   3.1. Life Cycle Costs: An asset or project's total life cycle cost should be considered when evaluating projects to ensure that adequate resources are available to preserve the value of the asset over time. Life cycle cost should consider the following (list may not be comprehensive):

      3.1.1. the total initial construction and/or acquisition cost of an asset;

      3.1.2. any public art funding requirements;

      3.1.3. all required licenses, permits, certificates, design approval documents, and any other contractual or legal requirements for the proposed project;

      3.1.4. all operating costs for the expected useful life of the asset; and,

      3.1.5. any other cost based on environmental, regulatory, or historical

perspectives.

A financial feasibility analysis may also be considered to assess any impact on the operating fund balance, demonstrate adequate value for the investment made, and assess the availability of funding sources

3.2. Financing: Generally, improvement projects and major equipment purchases will be funded on a pay-as-you-go basis from existing or foreseeable revenue sources. Fund Balances above established reserve requirements may be used for one-time expenditures such as capital equipment or financing of capital improvements. This should only be considered when sources are identified to fund the full lifecycle cost. Debt financing generally should be utilized only for new projects or complete replacement of major capital assets. When using debt financing, capital asset decisions must adhere to both this policy and the requirements in Washington County Administrative Policy 431: Debt Management. If grant funding is included, capital asset decisions must adhere to both this policy and the requirements in Washington County Administrative Policy 416: Grants.

4. Monitoring and Reporting

The purpose of regular monitoring and reporting is to ensure financial accountability and timely, cost-effective, and transparent project execution. The annual CIP report will include a status report on all projects in the previous year's approved CIP. Project monitoring and reporting for grant-funded projects will also occur as a regular part of the reporting required by the funder.

RESPONSIBILITIES

1. Board of County Commissioners (BCC): Responsible for approving this policy, adopting the annual budget and first-year capital appropriations, reviewing and approving the CIP as a planning document, providing high-level policy direction for capital investment, and receiving regular reports on capital program performance. Projects shown in future years of the CIP are planning estimates only and do not represent approved appropriations.

2. County Administrator/Chief Financial Officer: Responsible for providing executive oversight and final administrative authority for capital planning and asset management. CFO responsibilities include ensuring implementation of this policy; aligning capital investment decisions with long-term financial strategies, debt capacity, and funding policies; resolving cross-departmental or administrative issues related to capital planning, capitalization, or accounting treatment; and forwarding the recommended CIP to the governing body with professional and financial recommendations.

3. Budget Manager (or designee): Responsible for coordinating and administering the Capital Improvement Program. Responsibilities include issuing guidance for capital project requests; compiling and evaluating departmental submissions for policy alignment, affordability, and prioritization; preparing multi-year capital forecasts; developing the recommended CIP for executive and governing body review; integrating the first year of the adopted CIP into the annual budget; and monitoring and reporting on the status and performance of capital projects and programs.
4. Departments/Asset Owners: Responsible for the stewardship, planning, and execution of assets under their control. This includes maintaining asset inventories; assessing asset condition, risks, and capital maintenance, renewal, and replacement needs; submitting capital project requests and contract-based asset arrangements, including leases and software subscription–based IT arrangements, for consideration as part of the CIP process; and managing the scope, schedule, and performance of approved capital projects in accordance with adopted budgets and policies.
5. Finance: Responsible for the financial governance, accounting, and reporting of capital assets, including establishing and applying capitalization thresholds and policies to determine whether purchases and projects are recorded as capital assets or operating expenses.

EXCEPTIONS

Exceptions may only be granted by the Washington County Board of Commissioners unless such authority has been delegated to the County Administrator or Chief Financial Officer. Exceptions will be considered on a case-by-case basis based on the best interests of Washington County and its constituents.

IMPLEMENTATION

This policy is effective upon adoption by the BCC. Elected officials and department directors are expected to be knowledgeable of, and shall be responsible for, implementing this policy within their respective departments. Observance of this policy is mandatory for all County elected officials, employees, and volunteers, and violation may result in disciplinary action (up to and including termination).

PERIODIC REVIEW

This policy shall be reviewed by the Chief Financial Officer, in coordination with the County Administrator, at least every three years or more often if needed, and updated as necessary.