



Interpretations to Comptroller's Internal Control and Accountancy

Directive 10, Charges to the Capital Projects Fund

NOTE: Directive 10 sets forth the guidelines for determining when capital funds may be used for the acquisition, construction or improvement of a Capital Asset. This FAQ was prepared by the staff of the Bureau of Accountancy to clarify common capital eligibility issues as they relate to the provisions of Directive 10. The FAQ should be used in conjunction with Directive 10 for determining capital eligibility.

- 1- An improvement to a theatre that occupies the North side of the first two floors of a building, including a balcony and a loge sitting area, is under construction. If the improvements to this area qualify as a comprehensive betterment, as defined in Directive 10, Section 4.1, what costs may be combined to meet the \$35,000 minimum cost eligibility for a Capital Project.**

Directive 10, Section 3.2 states that the \$35,000 minimum cost refers to the total costs of the project, excluding the cost of initial outfitting and surface treatments (such as painting and carpeting). The costs that may be combined in a theatre renovation may include, but is not limited to, improving the seating area (including the balcony and loge areas), the lobby, the stage, the dressing rooms and lighting booth. The cost of renovations to different areas of the building may also be combined to a comprehensive betterment if certain eligibility requirements are met, see questions 2- 6.

- 2- In addition to the betterment in question1, for the convenience of the ticketholders, restrooms and a café are also being improved. The restrooms and cafe are located down the hall from the theatre and are opened only during show times and intermissions. May the costs of the restrooms and café be combined with the theatre to meet the \$35,000 minimum cost eligibility?**

Directive 10, section 4.1(a) allows, in a comprehensive betterment, for the cost of renovations in different areas of a building to be combined if such areas are physically near and functionally related to each other. Because the primary purpose of the restrooms and café renovations are to make the theatre operational (for the benefit of the ticketholders) and they are located in close enough proximity to the theatre so that they can be used by the ticketholders, the cost may be combined to meet the minimum cost eligibility. Once it has been determined that the renovations to the different areas may be combined with the comprehensive betterment for minimum cost eligibility purposes, Directive 10, section 3.4.1 lists the eligible expenditures that may be charged to the



Capital Budget. Initial outfittings required for the different areas may be an eligible capital project if the outfitting meets the criteria in Directive 10, section 5.0.

- 3- If, in question 2, the bathrooms and café are located in the basement of the building, may the costs be combined with the theatre to meet the \$35,000 minimum cost eligibility?

Yes, because the bathrooms and café are in close enough proximity to the theatre so that they can be used by the ticketholders.

- 4- If, in question 2, the restrooms and café are opened at all times and are used for multiple purposes (for example available for use by the public and building office employees) may the costs be combined with the theatre to meet the \$35,000 minimum cost eligibility?

Because the restrooms and café are not being improved primarily to benefit the theatre the cost may not be combined with the theatre and each must meet the minimum cost eligibility.

- 5- If in question 1, improvements to the administrative offices and basement storage areas of the building are in construction for the general use of the building, may the costs be combined with the theatre to meet the \$35,000 minimum cost eligibility?

Because the administrative offices and basement storage areas of the building are not being improved primarily to benefit the theatre the cost may not be combined with the theatre and each must meet the minimum cost eligibility.

- 6- If, in question 5, improvements are to the administrative offices, located down the hall from the theatre, and basement storage areas and they will only be used for theatre business may the costs be combined to meet the \$35,000 minimum cost eligibility?

Because the administrative offices and basement storage areas are being renovated primarily to make the theatre operational and are located in close enough proximity to the theatre so that they can be used for theatre business the cost may be combined to meet the minimum cost eligibility.



- 7- Restrooms are being renovated in the basement of a library which qualifies as a comprehensive betterment. May the cost to renovate the front doors of the library, costing \$25,000, be combined with the restrooms to meet the \$35,000 minimum cost eligibility.**

Directive 10, section 4.1. (a), states that the cost of different areas of a building may be combined if those areas are functionally related to the comprehensive betterment, meaning that they are dependent upon each other and are necessary for the comprehensive betterment to function for its primary purpose. In this example the restroom renovations are the comprehensive betterment; therefore the front door renovation would have to be necessary for the restrooms to operate for its primary purpose. Since the restrooms are not dependent on the front doors to operate for its primary purpose the cost of the front doors may not be combined with the restroom renovations and must meet the minimum cost eligibility on its own.

- 8- May the cost of replacing multiple light switches be combined to meet the \$35,000 minimum cost eligibility?**

The replacement of multiple light switches is neither a betterment, see Directive 10, Section 4.0, nor an equipment system, see Directive 10, Section 6.0; therefore, the cost may not be combined to meet the minimum cost eligibility.

- 9- May a \$25,000 improvement to the front doors of a museum be combined with a \$10,000 bathroom improvement on the second floor to meet the \$35,000 minimum cost eligibility?**

At least one of the areas being improved must be a comprehensive betterment in order to combine the costs of renovations in different areas of a building to meet the \$35,000 minimum cost eligibility. Because neither of these improvements are comprehensive (neither improvement involves the complete redesign of space and meets the minimum cost eligibility on its own) the cost may not be combined and each improvement must meet the minimum cost eligibility. Note: Comprehensive Betterments, as defined in Directive 10, Section 4.1, must meet the minimum cost eligibility on its own.

- 10-If in question 9 the improvements are part of a statutory housing loan program may the cost be combined to meet the \$35,000 minimum cost eligibility?**

For statutory housing loan or grant programs the cost of work in an individual building may be combined to meet the minimum cost eligibility, excluding the cost of initial



outfittings and surface treatments. The project must also meet the eligibility requirements of a betterment as stated in Directive 10, Section 4.1.

11-In a combined use building that houses a theatre group and an art studio on the first floor, may a \$20,000 improvement to the theatre's restroom be combined with a \$15,000 improvement to the studio's restroom to meet the \$35,000 minimum cost eligibility?

Neither of these improvements are comprehensive (neither one alone meets the minimum cost eligibility) therefore the cost may not be combined and each must meet the minimum cost eligibility. The two improvements also may not be combined to meet the minimum cost eligibility because are not functionally related, see question 11.

12-In question 11, may the improvement to the theatre's restroom costing \$35,000 be combined with the improvement to the studio's restroom costing \$20,000 to meet the \$35,000 minimum cost eligibility?

Renovations to different areas of a building must be constructed primarily for the benefit of the comprehensive betterment to function. Because the theatre group and art studio are separate functions and are not dependent on each other to function the costs may not be combined and each must meet the minimum cost eligibility.

13-In a 286 acre park, may a \$60,000 comprehensive betterment, as defined in Directive 10, Section 4.1, of a historic house be combined with the \$10,000 repaving of a path that leads up to the historic house and a \$15,000 mesh fence that surround the historic house to meet the minimum cost eligibility?

Because the historic house needs the path and fence to operate (for access to and to protect the historic house), the cost may be combined to meet the minimum cost eligibility.

14-If, in question 13, the improvement to the historic house is not comprehensive and consists only of a roof replacement may the cost to the path and fence be combined with the historic house to meet the \$35,000 minimum cost eligibility?

At least one of the improvements must be comprehensive to combine the costs of renovations in a building to different areas of a building, facility or elements of infrastructure to meet the \$35,000 minimum cost eligibility. Therefore, the cost of the road and fence may not be combined to the historic house and each must meet the minimum cost eligibility.



15-If in question13 the path is 100 yards away from the historic house and leads to a public pool and the mesh fence is at the entrance to the park, which is approximately .5 miles from the historic house, may the cost be combined to meet the \$35,000 minimum cost eligibility?

Because the improvements to the path and fence are not physically near to the historic house nor are they primarily for the benefit of the historic house, the cost may not be combined and each improvement must meet the minimum cost eligibility.

16-For the improvement to a park nature center may the following items be combined to meet the \$35,000 minimum cost requirement: installation of lighting fixtures in the main lobby costing \$5,000; general installation of five total stainless steel stalls in two restrooms in the basement costing \$3,500; installation of a tile floor in the basement restroom costing \$1,800; installation of an exterior steel gate costing \$6,000; painting the first floor \$800; installation of floor tiles in the program area on the first floor costing \$16,000; general construction work \$20,000 to the program area; updating the heating and electrical system in the program area \$15,000, updating the plumbing to the program area of the building costing 20,000 and installation of a new CCTV camera system costing \$15,000?

If the improvement of the park nature center meets the criteria as a comprehensive betterment, the cost of all of improvements except the cost of painting the first floor, may be combined to meet the minimum cost eligibility.

17-If, in question16, only the improvements to the program area of the park nature center qualifies as a comprehensive betterment, may the costs to the different areas be combined to meet the \$35,000 minimum cost eligibility?

The costs of the improvements to the different areas that are physically near and are needed primarily for the program area to be operational may be combined to meet the minimum cost eligibility. For example, if the restrooms in the basement are used primarily for the program area then the cost may be combined to meet the minimum cost eligibility. All other improvements must each meet the minimum cost.

18-If, in question16, none of the improvements qualify as a comprehensive betterment may any of the costs be combined to meet the minimum cost eligibility?

No, each improvement would have to meet the minimum cost eligibility.



19-In a science building, may a \$15,000 improvement to the biology department offices on the second floor be combined with \$20,000 of improvements to the biology department labs and classrooms on the fifth floor to meet the \$35,000 minimum eligibility?

Neither of the improvements to the biology department offices and the biology department labs and classrooms are comprehensive betterments (neither meets the minimum cost eligibility as required in Directive 10, section 4), therefore, the improvements may not be combined and each must meet the minimum cost eligibility. At least one of the improvements in a building must be comprehensive in order to combine the costs of renovations in different areas of a building to meet the \$35,000 minimum cost eligibility.

20-If, in question 19, the improvement to the biology department offices cost \$40,000, may the costs be combined to meet the \$35,000 minimum cost eligibility?

If the improvements to the biology department offices qualify as a comprehensive betterment then the costs of improvements to the different areas may be combined to meet the minimum cost eligibility if they are physically near and are needed primarily for the of the biology offices to operate. The biology department offices and labs and classrooms must be in close enough proximity so that biology office personnel could physically obtain what is needed from the labs and classrooms to function.

21-On a highway bridge which is 200 feet long and has two lanes, curbed walkways four feet on both sides may any of the following items be combined to meet the \$35,000 minimum cost eligibility: replace a portion of masonry block on the South Pier approximately six feet costing \$27,000, rehabilitate/patch spalled concrete on each of four piers/abutments costing \$42,000; a complete overhaul of the lanes costing \$98,000, repair walkway curb costing \$12,000, and scrape/patch/paint steel elements costing \$30,000?

If one of the improvements qualify as a betterment and other improvements are needed for the betterment to operate the cost of the other improvements may be combined with the betterment to meet the minimum cost eligibility. For example, if the complete overhaul of the lanes on the bridge qualifies as betterment and the steel elements supporting the old lanes required repair for the new lanes to remain in place, the cost of this repair may be combined with the overhaul of the lanes to meet the minimum cost eligibility. If the other improvements are not needed for the new lanes to function, each improvement would have to meet the minimum cost eligibility.



22-If an improvement that qualifies as a betterment is only being done on a component of the bridge, may the cost of renovations to other areas of the bridge be combined to meet the \$35,000 minimum cost eligibility?

The cost of improvements to other areas of the bridge may only be combined if they are needed to make the betterment functional. For example, if the lane repaving is only being done on the North end a bridge, the cost to replace the masonry block on the South end of the bridge may not be combined to meet the minimum cost eligibility.

23-In a comprehensive betterment of a gymnasium located in a recreation center, may other smaller renovations which are needed to service the general use of the entire recreation center (including the gymnasium) in related areas, such as the locker rooms and restrooms in adjacent halls, be combined to meet the \$35,000 minimum eligibility?

If the locker rooms and restrooms are for the general use of the entire recreation center including the gymnasium, they may be combined to meet the minimum cost eligibility because a recreation center has a single functional purpose.

24-May the replacement of different parts on a crane costing \$40,000 needed for the crane to operate be combined to meet the \$35,000 minimum cost eligibility for an upgrade if the replacement will allow it to keep operating for five years?

The cost of the parts may be combined to meet the minimum cost eligibility because the replacement of the parts will extend the life of the crane for at least five years which meets the requirements of an upgrade pursuant to Directive 10, section 4.1.

25-May the replacement of several printers and computer terminals that form part of a computer network be combined as an upgrade to meet the \$35,000 minimum cost eligibility if the replacement would allow the network to continue to serve the same number of users for five additional years?

The replacement of different elements of a computer system (the network) may be combined because the replacement would extend the life of the current network for five years.