

638

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: Riverside County Fire - OES

SUBMITTAL DATE:
August 16, 2011

SUBJECT: State Homeland Security Grant Program – Memorandum of Understanding for Equipment Acquisition and Ownership Transfer to Participating Cities

RECOMMENDED MOTION: Move that the Board of Supervisors:

1. Approve the attached Memorandum of Understanding (MOU) substantially in form; and
2. Authorize the County Fire Chief and the Office of Emergency Services Deputy Director, or his designee, to execute such MOU's on behalf of the County.

BACKGROUND: In 2008, emergency managers within the Riverside County Operational Area (OA) identified significant preparedness shortfalls with regard to their ability to properly shelter one-tenth of the overall population as suggested by federal standards. Because of this shortfall, OES has secured State Homeland Security grant funding for Fiscal Year 2009 and Fiscal Year 2010 to outfit each city and portions of unincorporated areas of the County with one hundred person mass care and shelter trailers. Securing such trailers will pave the way for enhanced mass care and shelter capabilities in Riverside County.

By Peter Lent, Deputy Director - OES
For John R. Hawkins, County Fire Chief

FINANCIAL DATA	Current F.Y. Total Cost:	\$745,600	In Current Year Budget:	No
	Current F.Y. Net County Cost:	\$0	Budget Adjustment:	Yes
	Annual Net County Cost:	\$0	For Fiscal Year:	2011/12

SOURCE OF FUNDS: 100% Federal Funding	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input checked="" type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

County Executive Office Signature
BY: Robert Tremaine
Robert Tremaine

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Buster, seconded by Supervisor Stone and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
 Nays: None
 Absent: None
 Date: August 16, 2011
 xc: Fire-OES, Auditor, EO

Kecia Harper-Ihem
 Clerk of the Board
 By:
 Deputy

Prev. Agn. Ref.: 3.21 (6/9/09);
 3.37 (10/20/09) District: ALL Agenda Number:

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

3.51

FORM APPROVED COUNTY COUNSEL
 BY:
 SYNTHIA M. GUNZEL
 DATE: 8-4-11
 Department Concurrence

Policy
 Policy
 Consent
 Consent

Dep't Recomm.:
 Per Exec. Ofc.:

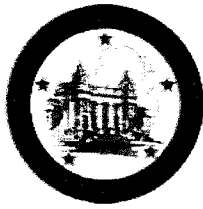
THE HONORABLE BOARD OF SUPERVISORS

SUBMITTAL DATE: August 16, 2011
DEPT: FIRE, OES
SUBJECT: State Homeland Security Grant Program – Memorandum of Understanding for Equipment Acquisition and Ownership Transfer to Participating Cities

PAGE: 2

BACKGROUND (Continued):

The County of Riverside, through its Fire Department, in its efforts to provide the mass care and shelter trailers throughout the County, will need to enter into several, separate MOUs with participating cities to transfer ownership of the newly acquired trailers and obligate each city to terms and conditions required by the Homeland Security Grant Funding Program. In order to facilitate and carry out the purposes described herein, the Fire Department desires to establish the attached MOU as the form to be used for each transaction and by requesting Board approval of the MOU form and authorizing delegation of authority for either the Fire Chief and the Office of Emergency Services Director to process and execute the MOUs. The material terms and conditions of each respective MOU are set forth in the form with only the particular details of the name of the participating city and the number of trailers to be transferred to be inserted when the MOU is executed. Delegating the authority to execute the MOU would greatly benefit the residents of the County because the Fire Department could provide the mass care and shelter trailers in an efficient and quick manner.



MEMORANDUM OF UNDERSTANDING

BETWEEN

**COUNTY OF RIVERSIDE,
ON BEHALF OF ITS FIRE DEPARTMENT,
OFFICE OF EMERGENCY SERVICES**

and the

CITY OF (INSERT NAME HERE)

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Attachments:

Office of Justice Programs Financial Guide 2005 – Part III Chapter 6

OMB Circular A87, Section 15

MEMORANDUM OF UNDERSTANDING

BETWEEN

COUNTY OF RIVERSIDE
AND THE CITY OF _____

THIS MEMORANDUM OF UNDERSTANDING (MOU) is made and entered into as of this _____ day of _____ 2011, by and between the County of Riverside, on behalf of its Fire Department, Office of Emergency Services, a political subdivision of the State of California, hereinafter referred to as "OES", representing the Riverside County Operational Area, and the City of _____, [enter legal capacity] hereinafter referred to as "City". City and OES will sometimes collectively be hereinafter referred to as the "Parties".

RECITALS

WHEREAS, the County of Riverside, Fire Department, representing the Riverside County Operational Area, has secured Homeland Security Grant Funding from the State of California Emergency Management Agency, to purchase and outfit unincorporated county areas and each city within the county, with one hundred person mass care and shelter trailers ("Trailers"); and

WHEREAS, the acquisition of these Trailers and equipment will assist each city in their pursuit to enhance their mass care and sheltering capabilities to better protect against, respond to and recover from catastrophic emergencies; and

WHEREAS, the Parties desire to enter into this MOU to provide the terms and conditions for each city that receives a Trailer under this grant funding program;

NOW, THEREFORE, the parties hereto agree as follows:

I. PURPOSE.

The purpose of this MOU is to: 1) document the transfer of ownership of [insert # of Trailers here trailer(s)] from OES to the City of _____ ; and 2) obligate and document the acknowledgement of the City to adhere to Office of Justice Programs Financial Guide 2005 – Part III Chapter 6 (Attachment 1) and the State OMB Circular A-87, Section 15 "Equipment and Other Capital Expenditures," (Attachment 2).

II. BACKGROUND.

In 2008, emergency managers within the Riverside County Operational Area (OA) identified significant preparedness shortfalls with regard to their ability to properly shelter one-tenth of the overall population as suggested by federal standards. Because of this shortfall, OES has secured Homeland Security grant funding for Fiscal Year 2009 and Fiscal Year 2010 to outfit each city and portions of the county unincorporated areas with one hundred person mass care and shelter trailers. Securing such trailers will pave the way for enhanced mass care and shelter capabilities in Riverside County.

III. TERMS AND CONDITIONS.

A. MOU MODIFICATION PROCESS.

After execution of this MOU, any and all requests for modifications to this MOU shall be made in writing to: Riverside County Fire Department Office of Emergency Services (OES) at 4080 Lemon Street, Basement Room 8, Riverside,

CA 92501 Attn. Peter Lent, Deputy Director. OES reserves the right to deny, edit or accept requests for modifications. OES reserves the right to amend the terms of this MOU if required to remain in compliance with federal or state grant requirements. The City shall be notified at least thirty business days in advance of any potential revisions to the terms of this MOU.

B. TERM OF MOU.

The terms of this MOU shall remain in effect for a period of seven years from the date of the signing of this document by all involved parties. Over the course of this MOU, the City agrees to utilize the Trailer solely for its intended purpose of mass care and shelter.

C. RESPONSIBILITIES/OBLIGATIONS.

By accepting the Trailer(s), City of _____, hereby agrees to accept and uphold the following responsibilities and obligations during the term of this MOU:

- 1) Store the Trailer in a secured area. The City will be responsible to determine the location and the type(s) of security to be used to secure the Trailer.
- 2) City must utilize at least a half-ton pick up truck or greater to tow the vehicle.
- 3) Replace any lost, stolen, damaged or used items with equivalent items within a reasonable timeframe not to exceed sixty (60) days from the date of loss or use. If the Trailer incurs any damage or theft during the period of this MOU, the City agrees to replace the Trailer and/or all of its contents with equivalent items and return the Trailer to the same level of supplies and conditioning as to which they were before the theft, damage or use occurred. This requirement shall apply to the Trailer and all of the components within the Trailer including all equipment and supplies.
- 4) Shall not mark, sticker, wrap or otherwise alter the appearance of the Trailer by adding their City logo or other identifying emblems, logos, or lettering. City agrees to leave the sticker identifier on the Trailer that will be on the Trailer at the time of delivery. This three inch block-style numbering shall remain in place for the duration of this MOU. City also agrees to utilize the original lock and keys, for all locks and keys on or in the Trailer, which will be provided with the Trailer at time of delivery.
- 5) Maintain all necessary components to keep the Trailer and all equipment in working order during the term of this MOU, up to and including but not limited to: tires, batteries, solar panels, regular military cots, enhanced functional needs cots, disposable blankets, light switches, manual vent fans, rolling carts and doors.
- 6) As required by the grant, the City agrees to allow the Trailer(s) to be utilized by other jurisdictions if requested through appropriate Mutual Aid channels. The City understands and agrees that if the Trailer is requested as a Mutual Aid resource, that the requesting jurisdiction will be responsible to pick up, re-stock and return the Trailer to the City within sixty days (60) of the end of the incident

for which the Trailer/resource was requested, in its original condition.

- 7) Comply with all the requirements of the Office of Justice Programs Financial Guide 2005 – Part III Chapter 6 (Attachment 1) and the State OMB Circular A-87, Section 15 "Equipment and Other Capital Expenditures," (Attachment 2).

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute this Agreement.

DATED: _____

COUNTY OF RIVERSIDE

By: _____
Peter Lent
Deputy Director

FORM APPROVED COUNTY COUNSEL
BY: Synthia M. Gunzel 8-4-11
SYNTHIA M. GUNZEL DATE

CITY OF [INSERT NAME]

Signed: _____
Authorized Representative of the City

ATTACHMENT 1

OFFICE of JUSTICE PROGRAMS FINANCIAL GUIDE 2005 – PART III CHAPTER 6

Only the pertinent portions of this document have been included as an attachment to this MOU.

(5) If the recipient or subrecipient is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

4. Disposition.

- a. A State recipient shall dispose of its equipment acquired under an award to the State in accordance with State laws and procedures.
- b. Other government recipients and subrecipients shall dispose of the equipment when original or replacement equipment acquired under the award or subaward is no longer needed for the original project or program, or for other activities currently or previously supported by a Federal agency. Disposition of the equipment will be made as follows:
 - (1) Items with a current per unit fair market value of less than \$5,000 may be retained, sold, or otherwise disposed of with no further obligation to the awarding agency.
 - (2) Items with a current per unit fair market value in excess of \$5,000 may be retained or sold, and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment. Seller is also eligible for sale costs.
 - (3) In cases where a recipient or subrecipient fails to take appropriate disposition actions, the awarding agency may direct the recipient or subrecipient to take other disposition actions.

EQUIPMENT AND NON-EXPENDABLE PERSONAL PROPERTY ACQUIRED WITH DISCRETIONARY FUNDS

1. **Title.** Title to equipment acquired with Federal funds will vest upon acquisition in the recipient subject to the obligations and conditions set forth in 28 CFR Part 66 for State and local units of government, and in 28 CFR Part 70 for other recipients.
2. **Use.** A State shall use equipment acquired under an award by the State in accordance with State laws and procedures.

Local government recipients shall use equipment in accordance with the requirements contained in the section "EQUIPMENT ACQUIRED WITH JUVENILE JUSTICE ACT (OJJDP) FORMULA AND VICTIMS OF CRIME ACT (OVC) ASSISTANCE (FORMULA) FUNDS."

Other recipients shall use non-expendable personal property in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds. When no longer needed for the original project or program, the recipients shall use the non-expendable personal property in connection with its other Federally-sponsored activities in the following order of priority:

- a. Other projects of the awarding agency needing the property.
- b. Grants of a State needing the property.
- c. Projects of other Federal agencies needing the property.

3. Management.

- a. A State shall manage its equipment acquired under an award in accordance with State laws and procedures.

- b. Local government recipients and subrecipients shall manage equipment in accordance with requirements stated in the section "EQUIPMENT ACQUIRED WITH JUVENILE JUSTICE ACT (OJJDP) FORMULA AND VICTIM OF CRIME ACT (OVC) ASSISTANCE (FORMULA) FUNDS."
- c. Other recipients' property management standards for non-expendable personal property shall include the following procedural requirements:
 - (1) Property records shall be maintained accurately and include:
 - (a) Loss;
 - (b) A description of the property;
 - (c) Manufacturer's serial number, model number, Federal stock number, or other identification number;
 - (d) Source of the property, including the award number;
 - (e) Whether title vests in the recipient or the Federal government;
 - (f) Acquisition date (or date received, if the property was furnished by the Federal government) and cost;
 - (g) Percentage (at the end of the budget year) of Federal participation in the cost of the project or program for which the property was acquired (not applicable to property furnished by the Federal government);
 - (h) Location, use, and condition of the property at the date the information was reported;
 - (i) Unit acquisition cost; and
 - (j) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal-sponsoring agency for its share.
 - (2) A physical inventory of property shall be taken and the results reconciled with the property records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the property.
 - (3) A control system shall be in effect to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft of non-expendable property shall be investigated and fully documented. If the property was owned by the Federal government, the recipient shall promptly notify the Federal agency.
 - (4) Adequate maintenance procedures shall be implemented to keep the property in good condition.
 - (5) Where the recipient is authorized or required to sell the property, proper sales procedures shall be established which would provide for competition to the extent practicable and result in the highest possible return.

4. Disposition.

- a. A State shall dispose of its equipment acquired under the award by the State in accordance with State laws and procedures.
 - b. Local government recipients and subrecipients shall follow the disposition requirements in the section "EQUIPMENT ACQUIRED WITH JUVENILE JUSTICE ACT (OJJDP) FORMULA AND VICTIM OF CRIME ACT (OVC) ASSISTANCE (FORMULA) FUNDS."
 - c. Other recipients shall adhere to the following disposition requirements for non-expendable personal property:
 - (1) A recipient may use non-expendable personal property with a fair market value of less than \$5,000 for other activities without reimbursement to the Federal government, or may sell the property and retain the proceeds.
 - (2) A recipient may retain non-expendable personal property with a fair market value of \$5,000 or more for other uses provided that compensation is made to the awarding agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value of the property. If the recipient has no need for the property and the property has further use value, the recipient shall request disposition instructions from the awarding agency. The awarding agency shall determine whether the property can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the property shall be reported to the General Services Administration by the Federal agency to determine whether a requirement for the property exists in other Federal agencies. The awarding agency shall issue instructions to the recipient no later than 120 days after the recipient's request, and the following procedures shall govern:
 - (a) If so instructed, or if disposition instructions are not issued within 120 calendar days after the recipient's request, the recipient shall sell the property and reimburse the awarding agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the grant. However, the recipient shall be permitted to deduct and retain from the Federal share \$100 or 10 percent of the proceeds, whichever is greater, for the recipient's selling and handling expenses.
 - (b) If the recipient is instructed to ship the property to other agencies needing the property, the recipient shall be reimbursed by the benefiting Federal agency with an amount computed by applying the percentage of the recipient's participation in the cost of the project or program to the current fair market value of the property, plus any reasonable shipping or interim storage costs incurred.
 - (c) If the recipient is instructed to otherwise dispose of the property, the recipient shall be reimbursed by the awarding agency for such costs incurred in its disposition.
5. **Transfer of Title.** The awarding agency may reserve the right to transfer title to property acquired with Federal funds that have a fair market value of \$5,000 or more to the Federal government or a third party named by the awarding agency, when such a third party is otherwise eligible under existing statutes. Such transfers are subject to the following standards:
- a. The property must be identified in the award or otherwise made known to the recipient in writing.
 - b. The awarding agency shall issue disposition instructions within 120 calendar days after the end of the Federal support of the project for which it was acquired. If the awarding agency fails to issue disposition instructions within the 120 calendar day period, the recipient shall follow standards set in 28 CFR Parts 66 and 70.

- c. When title to property is transferred, the recipient shall be paid an amount calculated by applying the percentage of participation in the purchase to the current fair market value of the property.

REAL PROPERTY ACQUIRED WITH FORMULA FUNDS

1. **Land Acquisition.** Block/formula funds CANNOT be used for land acquisition.
2. **Title.** Subject to the obligations and conditions set forth in the award, title to real property acquired under an award or subaward vests, upon acquisition, in the recipient or subrecipient.
3. **Use of Real Property.** The recipient and its subrecipients may use real property acquired, in whole or in part, with Federal funds for the authorized purposes of the original grant or subaward as long as needed for that purpose. The subrecipients shall maintain an inventory report which identifies real property acquired, in whole or in part, with block or formula funds. The recipient or subrecipient shall not dispose of or encumber its title or other interests.
4. **Disposition.** The subrecipient shall obtain approval for the use of the real property in other projects when the subrecipient determines that the real property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federally-sponsored projects or programs that have purposes consistent with those authorized for support by the State. When the real property is no longer needed as provided above, the subrecipient shall request disposition instructions from the State. The State shall exercise one of the following:
 - a. Direct the real property to be transferred to another subrecipient or a criminal justice activity needing the property, provided that use of such real property is consistent with those objectives authorized for support by the State.
 - b. Return all real property furnished or purchased wholly with Federal funds to the control of the awarding agency. In the case of real property purchased in part with Federal funds, the subrecipient may be permitted to retain title upon compensating the awarding agency for its fair share of the property. The Federal share of the property shall be computed by applying the percentage of the Federal participation in the total cost of the project for which the property was acquired to the current fair market value of the property. In those instances where the subrecipient does not wish to purchase real property originally purchased in part with Federal funds, disposition instructions shall be obtained from the awarding agency.

REAL PROPERTY ACQUIRED WITH DISCRETIONARY FUNDS

1. **Land Acquisition.** Discretionary funds CANNOT be used for land acquisition.
2. **Title.** Subject to obligations and conditions set forth in 28 CFR Parts 66 and 70, title to real property acquired under an award vests upon acquisition with the recipient.
3. **Use of Property.** The use of property by the recipient is subject to the same principles and standards as outlined for property acquired with formula funds.
4. **Disposition.** The recipient shall follow the same principles and standards as outlined for subrecipients, except the recipient shall request disposition instructions from the Federal agency, not the State.
5. **Transfer of Title.** With regard to the transfer of title to the awarding agency or to a third party designated/approved by the awarding agency, the recipient or subrecipient shall be paid an amount calculated by applying the recipient's or subrecipient's percentage of participation in the purchase of the real property to the current fair market value of the property.

FEDERAL EQUIPMENT

In the event a recipient or subrecipient is provided Federally-owned equipment, the following requirements apply:

1. **Title** remains vested in the Federal government.
2. **Recipients or subrecipients shall manage the equipment** in accordance with the awarding agency's rules and procedures and submit an annual inventory listing.
3. **When the equipment is no longer needed**, the recipient or subrecipient shall request disposition instructions from the awarding agency.

REPLACEMENT OF PROPERTY (EQUIPMENT AND NON-EXPENDABLE PERSONAL PROPERTY)

When an item of property is no longer efficient or serviceable but the recipient/subrecipient continues to need the property in its criminal justice system, the recipient/subrecipient may replace the property through trade-in or sale and subsequent purchase of new property, provided the following conditions are met:

1. **Similar Function.** Replacement property must serve the same function as the original property and must be of the same nature or character, although not necessarily of the same grade or quality.
2. **Credits.** Value credited for the property, if the property is traded in, must be related to its fair market value.
3. **Time.** Purchase of replacement property must take place soon enough after the sale of the property to show that the sale and the purchase are related.
4. **Compensation.** When acquiring replacement property, the recipient/subrecipient may use the property to be replaced as a trade-in or the proceeds from the sale of the property to offset the cost of the new property.
5. **Prior Approval.** State subrecipients shall obtain the written permission of the State to use the provisions of this section prior to entering into negotiation for the replacement or trade-in of property.

RETENTION OF PROPERTY RECORDS

Records for equipment, non-expendable personal property, and real property shall be retained for a period of three years from the date of the disposition or replacement or transfer at the discretion of the awarding agency. If any litigation, claim, or audit is started before the expiration of the three-year period, the records shall be retained until all litigations, claims, or audit findings involving the records have been resolved.

SUPPLIES

1. **Title.** Title to supplies acquired under an award or subaward vests, upon acquisition, in the recipient or subrecipient, respectively.
2. **Disposition.** If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate fair market value upon termination or completion of the funding support and the supplies are not needed for any other Federally-sponsored programs or projects, the recipient or subrecipient shall compensate the awarding agency for its share. The amount of compensation

ATTACHMENT 2

OMB 87 Section 15

“EQUIPMENT & OTHER CAPITAL EXPENDITURES”

Only the pertinent portions of this document have been included as an attachment to
this MOU.

b. Donated services received:

(1) Donated or volunteer services may be furnished to a governmental unit by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not reimbursable either as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the Federal Grants Management Common Rule.

(2) The value of donated services utilized in the performance of a direct cost activity shall, when material in amount, be considered in the determination of the governmental unit's indirect costs or rate(s) and, accordingly, shall be allocated a proportionate share of applicable indirect costs.

(3) To the extent feasible, donated services will be supported by the same methods used by the governmental unit to support the allocability of regular personnel services.

13. Employee morale, health, and welfare costs.

a. The costs of employee information publications, health or first-aid clinics and/or infirmaries, recreational activities, employee counseling services, and any other expenses incurred in accordance with the governmental unit's established practice or custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance are allowable.

b. Such costs will be equitably apportioned to all activities of the governmental unit. Income generated from any of these activities will be offset against expenses.

14. Entertainment. Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

15. Equipment and other capital expenditures.

a. For purposes of this subsection 15, the following definitions apply:

(1) "Capital Expenditures" means expenditures for the acquisition cost of capital assets (equipment, buildings, land), or expenditures to make improvements to capital assets that materially increase their value or useful life. Acquisition cost means the cost of the asset including the cost to put it in place. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in, or excluded from the acquisition cost in accordance with the governmental

unit's regular accounting practices.

(2) "Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or \$5000.

(3) "Special purpose equipment" means equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.

(4) "General purpose equipment" means equipment, which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

b. The following rules of allowability shall apply to equipment and other capital expenditures:

(1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency.

(2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5000 or more have the prior approval of the awarding agency.

(3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency.

(4) When approved as a direct charge pursuant to Attachment B, section 15.b (1), (2), and (3) above, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the awarding agency. In addition, Federal awarding agencies are authorized at their option to waive or delegate the prior approval requirement.

(5) Equipment and other capital expenditures are unallowable as indirect costs. However, see section 11, Depreciation and use allowance, for rules on the allowability of use allowances or depreciation on buildings, capital improvements, and equipment. Also, see section 37, Rental costs, concerning the allowability of rental costs for land, buildings, and equipment.

(6) The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by continuing to claim the otherwise allowable use allowances or depreciation on the equipment, or by amortizing the amount to be written off over a period of years negotiated with the cognizant agency.

(7) When replacing equipment purchased in whole or in part with Federal funds, the governmental unit may use the equipment to be replaced as a trade-in or sell the property and use