



Board Agenda Item 38

DATE: September 10, 2019

TO: Board of Supervisors

SUBMITTED BY: Robert W. Bash, Director, Internal Services/Chief Information Officer

SUBJECT: Approve Reclassification of Expenses Determined to be Capital Expenditures

RECOMMENDED ACTION(S):

Approve reclassification of FY 2018-19 expenses determined to be capital assets under County Management Directives.

Approval of the recommended action will allow the Internal Services Department Information Technology Services Division (ITSD) Org 8905, Facility Services Org 8935, and Security Services Org 8970 to properly account for expenditures incurred in FY 2018-19 on renovation projects determined to be properly accounted for as capital assets per County Management Directives. The recommended action will also allow the resulting capital expenditures for ITSD, as listed in Exhibit A, Facility Services, as listed in Exhibit B, and Security Services, as listed in Exhibit C, to be added to the County's Asset Management System. This item is countywide.

ALTERNATIVE ACTION(S):

Should your Board not approve the recommended action, the identified expenditures incurred in FY 2018-19 ITSD Org 8905, as listed in Exhibit A, Facility Services Org 8935, as listed in Exhibit B, and Security Services Org 8970, as listed in Exhibit C, would not be capitalized and depreciated over their useful life, which is inconsistent with proper accounting practices.

FISCAL IMPACT:

There is no budgetary impact to the FY 2018-19 nor the current fiscal year. Approval of the recommended action would reclassify expenditures incurred in FY 2018-19 as capital expenditures for ITSD Org 8905, as listed in Exhibit A; Facility Services Org 8935, as listed in Exhibit B; and Security Services Org 8970, as listed in Exhibit C. Additionally, approval of the recommended action will allow the County to add the reclassified expenditures into the Asset Management System to track depreciation of the capital expenditures and properly record the assets for reporting purposes.

DISCUSSION:

Expenditures incurred for ITSD, Facility Services, and Security Services for FY 2018-19 are on a per-job basis as requested by County departments and include projects that may or may not meet the criteria for capitalization. ISD conducts a review of expenditures that meet the criteria for capitalization and submits a request for reclassification annually in order to be in compliance with the County Budget Act (California Government Code Section 29000 et. seq.) and to abide by Management Directive 413.1 - Capital Assets.

For ITSD Org 8905, period of July 1, 2018 through June 30, 2019, staff has identified \$655,709.82 (as listed in Exhibit A) of expenditures on technology equipment that meet the criteria for capitalization.

For Facility Services Org 8935, period of July 1, 2018 through June 30, 2019, staff has identified \$839,142.97 (as listed in Exhibit B) of expenditures which include Job Order Contracting renovation projects and building equipment that meet the criteria for capitalization.

For Security Services Org 8970, period of July 1, 2018 through June 30, 2019, staff has identified \$12,751.31 (as listed in Exhibit C) of expenditures on equipment that meet the criteria for capitalization.

Staff is requesting that your Board approve the reclassification of these expenses to allow for proper capitalization and addition to the County's Asset Management System.

ATTACHMENTS INCLUDED AND/OR ON FILE:

- Exhibit A - ITSD Org 8905
- Exhibit B - Facility Services Org 8935
- Exhibit C - Security Services Org 8970

CAO ANALYST:

Yussel Zalapa