



# Board Agenda Item 35

DATE: November 2, 2021

TO: Board of Supervisors

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

SUBJECT: Reclassification of Expenses Determined to be Capital Expenditures and Budget Resolution Amendment

RECOMMENDED ACTION(S):

- 1. Approve reclassification of FY 2020-21 Internal Services Department - Facility Services Org 8935 and Information Technology Services Org 8905 expenditures determined to be Capital Assets as identified on Exhibits A and B, pursuant to County Administrative Office Management Directive 400 - Property and Equipment.**
- 2. Adopt Budget Resolution increasing FY 2021-22 appropriations and estimated revenues for Org 8908 in the amount of \$4,579,349 to account for the purchase of property located at 333 W. Pontiac Way, Clovis, CA 93612 (4/5 vote).**

Approval of the first recommended action will allow the Internal Services Department (ISD) Facility Services and Information Technology (IT) Services Divisions to properly account for expenditures incurred in FY 2020-21. The expenses are related to renovation projects which should have been accounted for as capital assets per County Administrative Office Management Directive 400 (CAO MD 400), section 412.1. Approval of the first recommended action will allow for the resulting capital expenditures listed on Exhibits A and B to be added to the County's Asset Management System (AMS). Approval of the second recommended action will allow for the appropriate treatment of expenditure incurred in FY 2021-22 for the purchase of property located at 333 W. Pontiac Way, Clovis, California, 93612 to be accounted for as a capital asset and be added to the County's AMS. This item is countywide.

ALTERNATIVE ACTION(S):

Should your Board not approve the recommended actions, the identified capital asset expenditures incurred in FY 2020-21 would not be capitalized and depreciated over their useful life, which is inconsistent with proper accounting procedures and CAO MD 400, section 412.1.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended action. Approval of the first recommended action would reclassify \$10,664,693.68 in capital asset expenditures incurred for ISD - IT Services Org 8905 (\$1,669,365.61) and Facility Services Org 8935 (\$8,995,328.07) in FY 2020-21 and FY 2021-22. Additionally, approval will allow ISD to add the reclassified expenditures into AMS to track depreciation of the capital expenditures and appropriately record the assets for reporting purposes. Approval of the second recommended action increases the FY 2021-22 appropriations for Org 8908 in the amount of \$4,579,349 to allow for the reclassification of expenditure incurred on the purchase of property.

DISCUSSION:

Expenditures incurred for ISD - Facility Services and IT Services for FY 2020-21 are on a per-job basis as requested by user departments. These include projects that may or may not meet the criteria for capitalization. ISD conducts a review of expenditures that meet the criteria and submits a request for reclassification annually to the Board in compliance with the County Budget Act (California Government Code, Section 2900 et. Seq.) and CAO MD 400 - Property and Equipment, Section 413.1 - Capital Assets.

For the period ending July 1, 2020 through June 30, 2021, ISD staff identified the following as meeting the criteria for capitalization:

- \$1,669,365.61 for IT, listed in Exhibit A, expenditures including technology equipment, and
- \$8,995,328.07 for Facility Services, listed in Exhibit B, expenditures including Job Order Contracting renovation projects and building equipment.

The transaction for the purchase of property located at 333 W. Pontiac Way, Clovis, California, 93612, occurred in the budget for Org. 8908 utilizing appropriations previously budgeted in FY 2020-21. The Auditor-Controller/Treasurer-Tax Collector (ACTTC) identified the purchase should have been considered part of the current FY 2021-22 budget and provided direction for ISD to reestablish the appropriations in Org 8908 under FY 2021-22 for the appropriate treatment of the purchase of property as a capital asset.

With your Board's approval, the expenditures will be reclassified to allow for appropriate capitalization and addition to AMS.

REFERENCE MATERIAL:

BAI #36, October 20, 2020

ATTACHMENTS INCLUDED AND/OR ON FILE:

Exhibit A - IT Services Org 8905  
Exhibit B - Facility Services Org 8935  
On file with Clerk - Resolution

CAO ANALYST:

Yussel Zalapa