



# Board Agenda Item 52

DATE: November 7, 2023

TO: Board of Supervisors

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

SUBJECT: Reclassification of Expenses Determined to be Capital Assets

RECOMMENDED ACTION(S):

**Approve reclassification of FY 2022-23 Internal Services Department - Information Technology Org 8905, Facility Services Org 8935, and Security Org 8970 expenditures determined to be Capital Assets as identified on Exhibits A, B, and C pursuant to County Administrative Office Management Directive 400 - Property and Equipment.**

Approval of the recommended action will allow the Internal Services Department (ISD) - Information Technology (IT), Facility Services, and Security divisions to properly account for expenditures incurred in FY 2022-23. The expenses are related to renovation projects and other equipment purchases 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 recommended action will allow for the resulting capital expenditures listed on Exhibits A, B and C to be added to the County's Asset Management System (AMS). This item is countywide.

ALTERNATIVE ACTION(S):

Should your Board not approve the recommended action, the identified capital asset expenditures incurred in FY 2022-23 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 recommended action would reclassify \$1,836,262 in capital asset expenditures incurred for ISD - IT Org 8905 (\$170,206), Facility Services Org 8935 (\$1,658,216), and Security Org 8970 (\$7,840) in FY 2022-23. Additionally, approval will allow ISD to add the reclassified expenditures into the AMS to track depreciation of the capital expenditures and appropriately record the assets for reporting purposes.

DISCUSSION:

Expenditures incurred for ISD - IT, Facility Services, and Security for FY 2022-23 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, Capital Assets - section 412.1 and Capital Assets - section 413.1.

For the period of July 1, 2022, through June 30, 2023, ISD staff identified the following as meeting the criteria for capitalization:

- \$170,206 for IT, listed in Exhibit B, expenditures including technology equipment, and
- \$1,658,216 for Facility Services, listed in Exhibit A, expenditures including Job Order Contracting renovation projects and building equipment, and
- \$7,840 for Security, listed in Exhibit C, expenditures including technology equipment.

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

REFERENCE MATERIAL:

BAI #43, October 25, 2022

ATTACHMENTS INCLUDED AND/OR ON FILE:

Exhibit A - Information Technology Org 8905

Exhibit B - Facility Services Org 8935

Exhibit C - Security Org 8970

CAO ANALYST:

Ahla Yang