



**To:** Commissioners, First 5 Ventura County

**From:** Jennifer Johnson, Director of Finance & Administration (on behalf of the Administration/Finance Committee)

**Date:** April 22, 2021

**Re: Recommendation to Discontinue Use of Equipment Replacement Fund as of June 30, 2021 & Fund FY 2020-21 NfL Equipment Purchases under the FY 2020-21 NfL Transition Budget**

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### **Background**

The Commission established an equipment replacement fund in October 2003. The purpose of the equipment replacement fund was to set aside financial resources in the Operating Fund for future purchases of replacement equipment essential to the operations of the Commission. As a result, equipment purchases are planned for in advance and funds will have already been set aside to enable the purchase of the replacement equipment when old equipment becomes unusable or technologically obsolete. Utilizing remaining start-up funds from the Commission's inception, the beginning balance of the fund was established at \$24,600 which was the depreciation year-to-date on existing equipment. Each year thereafter, the annual amount of depreciation replenishes the fund balance in order to make new equipment purchases. An annual Equipment Budget is approved by the Commission based on current equipment needs.

For the past ten years, the average cost of equipment has been \$7,000 per year. This relatively minor amount has primarily been for computers and peripherals (depreciated using a 3 year useful life), and some occasional office equipment/furniture items (depreciated using a 7 year useful life). Historically, the Commission has had no capital assets - items with an individual cost of \$5,000 and over.

Given the Commission's relatively small staff since its inception, presently 12 regular employees, the equipment replacement fund has been sufficient to cover equipment needs. As we look ahead to bringing the \$3 million Neighborhoods for Learning (NfL) initiative in-house and increasing the number of employees from 12 regular staff to almost 40 staff, an opportunity to streamline the way in which minor equipment purchases are funded is proposed.

Generally, equipment replacement funds are beneficial and used for capital assets such as vehicles, buildings, etc. Given the Commission's equipment needs being primarily minor in nature, e.g., computers which require regular replacement, these amounts can simply be budgeted within each cost center's budget on an annual basis as minor equipment beginning July 1, 2021. This will eliminate the need to manage the equipment replacement fund and to have a separate equipment budget. The financial resources formerly set aside in the Operating Fund for equipment replacement would instead be captured within the projected future allocations for initiatives/budget areas.

For fiscal year 2020-21, we would use the Equipment Budget of \$5,000 for purchases previously contemplated related to the Program & Systems Integration, Help Me Grow, and Results-Based Accountability, and Administration cost centers. For the recently approved allocation of \$450,000 to support the transition of bringing the NfL initiative in-house, any equipment needs identified for the period of February 1, 2021 to June 30, 2021 would occur in the NfL transition budget.

### **Recommendation**

The recommendation is to conclude use of the Equipment Replacement Fund as of June 30, 2021 and to budget for minor equipment needs under each cost center's annual budget beginning July 1, 2021. For new equipment purchases related to bringing the Neighborhoods for Learning in-house, costs from February 1, 2021 to June 30, 2021 will be funded under the approved FY 2020-21 NfL Transition budget.