

**MOORPARK CITY COUNCIL  
AGENDA REPORT**

**To:** Honorable City Council

**From:** Ron Ahlers, Finance Director *RA*  
**By:** Irmina Lumbad, Deputy Finance Director *IL*

**Date:** May 24, 2016 (CC Meeting of 06/01/16)

**Subject:** Consider Equipment Replacement Fund (4003) Projected Status as of June 30, 2016 and Consider Resolution Amending Fiscal Year 2015/16 Budget by Appropriating \$328,414 and Authorizing the Transfers from Various Sources to the Equipment Replacement Fund (4003) and Authorizing the Designation of Fund Balance for Equipment Replacement Obligation in Certain Restricted Funds

**Summary:**

At June 30, 2016, the projected total book value of the City's active machineries and equipment is \$9,101,293 (Attachment 1), including two transit buses with aggregate book value of \$349,115 and five items worth \$78,998 that have already been replaced, but retained in inventory. The equipment replacement obligation is estimated to be \$4,245,772. Of this obligation, the shares of Local Transit Programs 8c Fund (5000) of \$753,532 and Successor Agency to the Moorpark Redevelopment Agency (9101) of \$221,373 have been deferred. At June 30, 2016, the estimated balance of monies set-aside for equipment replacement in various funds will total \$2,846,983. The projected shortfall for equipment replacement across various funds is \$423,884.

**Discussion:**

In FY 1985/86, the Equipment Replacement Fund (ERF) was established to set-aside funds to replace various machineries and equipment as they age and/or as the asset's useful life has exhausted. The annual contribution to the ERF is allocated to various sources that originally financed the acquisition of the asset, subject to availability of unreserved fund balance. The ERF fund balance should equal the accumulated depreciation of capital asset *plus* the replacement cost of non-capital assets due for replacement *less* the estimated revenue from investment earnings and proceeds from asset disposal.

On May 21, 2014, the City Council approved staff's recommendation to bring the ERF funding to current and adopted Resolution No. 2014-3292 to transfer \$2,036,216 into ERF from various sources and to designate a reserve amount in certain restricted Special Revenue Funds. At that time, the average annual contribution was about \$354,000 excluding assets that have already been replaced but are retained in inventory. There was no money transferred to the ERF in FY 2014/15.

The City has five (5) transit buses that are depreciated over twelve (12) years. Three (3) units were purchased in September 2010 for \$1,230,350 (Local Transit 8c Fund 5000) and two (2) buses were replaced in the current year for \$906,610 (Prop 1B PTMISEA Grant Fund 2611 – \$774,000 and Local Transit 8c Fund 5000 - \$132,610). The 2010 buses will be due for replacement in FY 2020/21 with estimated cost of \$1,531,800. Staff is proposing to set-aside 20% local match or \$306,360 in the Traffic System Management Fund (2001). Over the remaining six-year period starting FY 2015/16, the required annual provision is \$51,060.

For FY 2015/16, \$165,999 has been appropriated from the ERF for computer replacements (\$6,000), call accounting upgrade (\$5,000), phone system upgrades at EOC and MPSF (\$28,600), replacement of Animal/Vector Control vehicles (\$71,399), and replacement motorcycles (\$55,000). In addition, staff will be requesting appropriation of \$30,000 to replace the server and exterior camera equipment at the Police Services Center. Assuming no other activities through the current year, the estimated City-wide obligation and funding status are as follows:

Table 1.0

	TOTAL	Distribution by Fund				
		ERF	Gas Tax	LMD*	Transit (deferred) <sup>o</sup>	SARA (deferred)
Obligation, Projected 6/30/16 (Accumulated Depreciation)	\$4,245,772	\$2,812,936	\$301,204	\$105,667	\$804,592	\$221,373
Funds Reserved for Equipment Replacement, Projected 6/30/16	\$2,846,983	\$2,535,582	\$246,674	\$64,727	\$0	\$0
<b>FY 2015/16 Projected Shortfall</b>	<b>\$1,398,789</b>	<b>\$277,354</b>	<b>\$54,530</b>	<b>\$40,940</b>	<b>\$804,592</b>	<b>\$221,373</b>
less: Deferred Amounts	(\$974,905)	\$0	\$0	\$0	(\$753,532)	(\$221,373)
<b>FY 2015/16 Proposed Contribution</b>	<b>\$423,884</b>	<b>\$277,354</b>	<b>\$54,530</b>	<b>\$40,940</b>	<b>\$51,060</b>	<b>(\$0)</b>

\* Landscape Maintenance Districts

<sup>o</sup> Traffic System Management Fund

The FY 2016/17 recommended budget includes appropriations totaling \$62,500 for the following items:

- MPSF phone upgrade (rebudgeted) \$9,000
- Client Access licenses \$12,500
- Parks replacement truck for VEH043 \$41,000

If no funding will be set-aside in the current year and all appropriations (FY 2015/16 - \$40,239 and FY 2016/17 - \$62,500) are expended by June 30, 2017, the shortfall will increase by \$563,725 to \$987,609.

**Fiscal Impact:**

The adopted FY 2015/16 operating budget does not include transfers to the ERF. The \$423,884 shortfall is recommended to be funded as follows:

1. Approve the funding of the Gas Tax (2605) equipment replacement obligation of \$54,530 and direct the Finance Department to process the necessary accounting entries to designate an additional \$54,530 in the Reserve for Equipment Replacement account (5301) within the fund.

<b>Reserve for Equipment Replacement (5301)</b>			
	Balance @	Projected	FY15/16 Set-
	6/30/2015	Obligation	Aside
		6/30/2016	
Gas Tax 2605	301,204	246,674	54,530

The projected fund balance at 6/30/2016 after this provision is \$702,312. The estimated fund balance at 6/30/2017 is \$133,555. In a year or so, this fund will not have enough money to cover its obligation and future contributions will have to come from the General Fund.

2. Approve the funding of the various Landscape Maintenance Districts equipment replacement obligation of \$40,940 and direct the Finance Department to process the necessary accounting entries to designate an additional \$40,940 in the Reserve for Equipment Replacement account (5301) in the following amounts:

<b>Reserve for Equipment Replacement (5301)</b>			
	Balance @	Projected	
	6/30/2015	Obligation	FY15/16 Set-
		6/30/2016	Aside
2302: 84-2 Steeple Hill T2865	\$16,280	\$9,658	\$6,622
2312 84-2 Carlsberg	\$16,946	\$10,052	\$6,894
2315 Country Club Estates	\$30,452	\$18,065	\$12,387
2322 Moorpark Highlands	\$41,989	\$26,952	\$15,037
<b>TOTAL</b>			<b>\$40,940</b>

3. Approve a budget amendment with an aggregate appropriation of \$328,414 - Library Facilities Fund (2154) -\$17,115; Traffic System Management Fund (2001) - \$54,037; and General Fund (1000) - \$257,262. The General Fund's portion is proposed to be funded by a transfer from the Special Projects Fund (4004). Authorize the transfer of \$328,414 to the Equipment Replacement Fund (4003).

**STAFF RECOMMENDATION: (ROLL CALL VOTE)**

1. Adopt Resolution No. 2016- \_\_\_\_\_ amending the FY 2015/16 Budget by appropriating \$328,414 and authorizing the transfers from various sources to the Equipment Replacement Fund (4003); and
2. Authorizing the additional designation of fund balance for Equipment Replacement Obligation in certain restricted funds

**Attachments:**

- 1) Summary of Covered Equipment & Machineries by Category (Unadjusted Book Value)
- 2) Resolution No. 2016- \_\_\_\_\_

<b>CITY OF MOORPARK</b>					
<b>Book Value of Active Equipment</b>					
<b>As of 06/30/2016 Projected</b>					
<b>CapAsset</b>	<b>Cat</b>	<b>Category Title</b>	<b>EXCLUDED ITEMS</b>	<b>COVERED</b>	<b>TOTAL</b>
Inventory Only	COMPUTER	COMPUTER EQUIPMENT	\$119,239.42	\$343,645.29	\$462,884.71
	LICVEH	OTHER LICENSED VEHICLES		\$2,523.58	\$2,523.58
	MACH	MACHINERY AND TOOLS		\$33,552.67	\$33,552.67
	OFFEQUIP	OFFICE EQUIPMENT		\$32,350.25	\$32,350.25
	OFFFURN	OFFICE FURNITURE		\$53,876.47	\$53,876.47
	OTHEQUIP	OTHER EQUIPMENT		\$354,235.81	\$354,235.81
	OTHVEH	OTHER VEHICLES		\$21,882.88	\$21,882.88
	OUTDOOR	OUTDOOR EQUIPMENT		\$223,222.13	\$223,222.13
	PLAYEQUP	PLAYGROUND EQUIPMENT		\$41,903.94	\$41,903.94
		Sub-Total	\$119,239.42	\$1,107,193.02	\$1,226,432.44
Capital Assets	AUTO	AUTOMOBILES	\$14,036.32	\$124,174.52	\$138,210.84
	COMPUTER	COMPUTER EQUIPMENT	\$59,604.17	\$741,788.42	\$801,392.59
	HVYTRUCK	HEAVY TRUCK		\$319,703.55	\$319,703.55
	LGTTRUCK	LIGHT TRUCKS		\$292,391.94	\$292,391.94
	LICVEH	OTHER LICENSED VEHICLES		\$103,357.40	\$103,357.40
	OFFEQUIP	OFFICE EQUIPMENT	\$5,357.13	\$318,958.65	\$324,315.78
	OFFFURN	OFFICE FURNITURE		\$580,408.75	\$580,408.75
	OTHEQUIP	OTHER EQUIPMENT		\$868,005.11	\$868,005.11
	OTHVEH	OTHER VEHICLES		\$246,044.07	\$246,044.07
	OUTDOOR	OUTDOOR EQUIPMENT		\$680,752.38	\$680,752.38
	PLAYEQUP	PLAYGROUND EQUIPMENT		\$1,139,861.62	\$1,139,861.62
	TRANSIT	BUSES	\$349,114.72	\$2,150,541.29	\$2,499,656.01
		Sub-Total	\$428,112.34	\$7,565,987.70	\$7,994,100.04
<b>Grand Total</b>			<b>\$547,351.76</b>	<b>\$8,673,180.72</b>	<b>\$9,220,532.48</b>
		Adjustments:			
		Excluded items acquired prior to 06/30/2004	(\$119,239.42)	\$0.00	(\$119,239.42)
			<b>\$428,112.34</b>	<b>\$8,673,180.72</b>	<b>\$9,101,293.06</b>

RESOLUTION NO. 2016 - \_\_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA, AMENDING THE FISCAL YEAR 2015/16 BUDGET BY APPROPRIATING \$328,414 AND AUTHORIZING THE TRANSFERS FROM VARIOUS SOURCES TO THE EQUIPMENT REPLACEMENT FUND (4003); AND AUTHORIZING THE DESIGNATION OF FUND BALANCE FOR EQUIPMENT REPLACEMENT OBLIGATION IN CERTAIN RESTRICTED FUNDS

WHEREAS, in Fiscal Year (FY) 1985/86 the City established the Equipment Replacement Fund (4003) to set-aside money to replace various machineries and equipment as they age and/or as the asset's useful life has exhausted; and

WHEREAS, on June 17, 2015, the City Council adopted the Operating and Capital Improvement Budget for FY 2015/16, and it does not include any transfers to the Equipment Replacement Fund (4003); and

WHEREAS, a staff report has been presented to the City Council summarizing the projected unfunded obligation totaling \$1,398,789 at June 30, 2016. Of this total, the shares of Local Transit Article 8c Fund (5000) - \$753,532 and RDA-SA Economic Development Fund (9101) of \$221,373 will continue to be deferred; and

WHEREAS, accounting entries totaling \$95,470 – \$54,530 from the Gas Tax Fund (2605), \$6,622 from 84-2 Steeple Hill T2865 (2302), \$6,894 from 84-2 Carlsberg (2312), \$12,387 from Country Club Estates (2315) and \$15,037 from Moorpark Highlands (2322) are required to be designated as additional obligation in Account 5301 – Reserve for Equipment Replacement within the respective funds; and

WHEREAS, the Equipment Replacement Fund (4003) accounts for the aggregate city-wide share of the obligation of \$328,414. The General Fund's portion of \$257,262 is recommended to be funded by a transfer from the Special Projects Fund (4004). A budget amendment is required and the following transfers are recommended from these funds: Library Facilities (2154) - \$17,115; Traffic Systems Management (2001) - \$54,037; and Special Projects (4004) - \$257,262; and

WHEREAS, Exhibits "A" and "B", attached hereto and made a part hereof, describes said budget amendments and the resultant impacts to the budget line items.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MOORPARK DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. That the deferral of the funding obligation of Local Transit Article 8c Fund (5000) - \$753,532 and RDA-SA Economic Development Fund (9101) - \$221,373 is hereby approved.

SECTION 2. That the accounting entries totaling \$95,470 to designate additional fund balance reserve for equipment replacement as more particularly described in Exhibit "A" is hereby approved.

SECTION 3. That an aggregate budget amendment and fund transfer of \$328,414, as more particularly described in Exhibit "B", is hereby approved.

SECTION 4: The City Clerk shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the book of original resolutions.

PASSED AND ADOPTED this 1<sup>st</sup> day of June, 2016.

\_\_\_\_\_  
Janice S. Parvin, Mayor

ATTEST:

\_\_\_\_\_  
Maureen Benson, City Clerk

Attachments:

Exhibit 'A'  
Exhibit 'B'

**Exhibit A**

**Fund Balance Designation for Equipment Replacement Reserve**

<b>Fund</b>	<b>Fund/Account</b>	<b>From</b>	<b>To</b>
Gas Tax	2605-5500	\$54,530	
	2605-5301		\$54,530
84-2 Steeple Hill T2865	2302-5500	\$6,622	
	2302-5301		\$6,622
84-2 Carlsberg	2312-5500	\$6,894	
	2312-5301		\$6,894
Country Club Estates	2315-5500	\$12,387	
	2315-5301		\$12,387
Moorpark Highlands	2322-5500	\$15,037	
	2322-5301		\$15,037
<b>TOTAL</b>		<b>\$95,470</b>	<b>\$95,470</b>

**Budget Amendment for  
Various Funds for  
Equipment Replacement Obligation  
2015/2016**

**A. Fund Allocation**

Fund/Account No.	Fund Description	Amount
2001-5500	Traffic Systems Management	\$54,037.00
2154-5500	Library Facilities Fund	\$17,115.00
4004-5500	Special Projects Fund	\$257,262.00
4003-5500	Equipment Replacement	(\$328,414.00)
	<b>Total</b>	<b>\$0.00</b>

**B. Revenue Budget Allocation**

Fund/Account No.	Current Budget	Revision	Amended Budget
4003-3720	\$0.00	\$328,414.00	\$328,414.00
<b>Total</b>	<b>\$0.00</b>	<b>\$328,414.00</b>	<b>\$328,414.00</b>

**C. Expenditure Appropriation**

Budget Number	Current Budget	Revision	Revised Budget
2001-9820	\$0.00	\$54,037.00	\$54,037.00
2154-9820	\$0.00	\$17,115.00	\$17,115.00
4004-9820	\$0.00	\$257,262.00	\$257,262.00
<b>Total</b>	<b>\$0.00</b>	<b>\$328,414.00</b>	<b>\$328,414.00</b>

**D. Interfund Transfer**

Transfer	TO
<b>FROM Fund</b>	<b>Fund 4003</b>
2001-9820	\$54,037.00
2154-9820	\$17,115.00
4004-9820	\$257,262.00
<b>Total</b>	<b>\$328,414.00</b>

Approved as to Form:  \_\_\_\_\_