


EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF FEBRUARY 27, 2019

REGULAR MEETING

TO: Shiva Frentzen, Chair, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: José C. Henríquez, Executive Officer 

AGENDA ITEM #8: APPROVE A POLICY CREATING AN IT INFRASTRUCTURE
FUND

RECOMMENDATION

Staff recommends that the Commission approve the creation of a new fund for the replacement of IT infrastructure. If approved, this fund will normalize IT infrastructure replacement costs across three years in its initial project plan. After that initial plan, costs will be normalized across five years.

REASON FOR RECOMMENDED ACTION

This policy is directly related to your approval of the budget. As explained immediately above, approval of the fund will stabilize LAFCO costs. Currently, LAFCO absorbs the IT replacement costs in the budget. Normally IT costs are low, but the budget spikes whenever it is time to replace various equipment. The creation of this fund means that LAFCO will put away money to pay for these replacement costs a little at a time in order to prevent a spike in the budget.

BACKGROUND

Since becoming an independent agency, LAFCO has replaced its IT equipment twice, both instigated by the age of the equipment at the time or when it breaks down. With the ever-growing threats in the IT world, replacing equipment based on this practice is suboptimal. Equipment can be functionally obsolete before it gets old or ceases to function, becoming ineligible for software upgrades or no longer supported by its manufacturer. The danger of this practice is that this makes the agency increasingly vulnerable as technologies change and LAFCO fails to adapt. From a fiscal standpoint, LAFCO does not plan more than a year in advance for replacing this equipment, waiting to take the hit on the budget in which it will replace equipment. It also hurts the funding agencies because of a sudden spike in costs.

In order to be more methodical about this and to normalize costs, LAFCO asked GNT Solutions, this agency's IT vendor, to submit a multi-year equipment replacement project plan. While planning costs this far out is always a challenge because technologies and needs can change quickly, the project plan will help the agency plan for equipment replacement as a *mindset*, operationally and fiscally. GNT's Replacement Plan is included as Attachment A.

As introduced in the January meeting, the project plan maximizes replacement based on age, warranty expiration, longevity (useful life) and proactivity. Some equipment will need to be replaced starting in 2019 and almost all will be replaced by 2022. After that, equipment will be replaced in a 5-year cycle (Attachment B). While we do not know the actual dollar amounts for the second project plan at this point, the annual allocations for this fund should be smaller than the first project plan because the costs are being spread out over more years. In addition, even if a piece of equipment ends up costing a little more than planned (for example, the costs in the project plan do not take into account any tariff increases that may be imposed as a result of the current trade war between the United States and China), the incremental increase will be lower than absorbing the full cost as is the current practice.

To help with the financial impact, staff proposes to create a new fund to normalize costs across the lifespan of the project plan. For example, the equipment to be replaced in 2019-20 is only \$3,100 for parts and labor, but by 2021-22, these costs rise to \$15,000. Staff proposes a 3-year fund where replacement costs are budgeted at \$10,000 in each of the three years. This will be more than the replacement costs in the first two fiscal years; but it would roll over the excess monies into a fund to soften the impact of the third, most expensive year.

To ensure transparency and accountability, staff recommends the adoption of the following policy in order to implement this proposal. The relevant section of the current Policies and Guidelines are provided as Attachment C for the Commission's reference and convenience. The proposed policy adds Subsection 2.10.5(f). It authorizes the use of the LAFCO account with CalTRUST as a place to deposit the IT infrastructure replacement monies until these funds are needed:

2.10.5(f) Assigned: Monies budgeted towards the replacement of LAFCO's IT infrastructure can be deposited into LAFCO's medium-term CalTRUST account. These funds cannot be withdrawn without prior authorization from the Commission.

Should the Commission approve staff's recommendation, the initial deposit of approximately \$7,000 into CalTRUST will occur within the month of July 2019.

Attachments:

- Attachment A: GNT Solution's El Dorado LAFCO Multi-Year IT Road Map
- Attachment B: Proposed IT Equipment Replacement Project Plan
- Attachment C: Policies & Guidelines Section 2.10