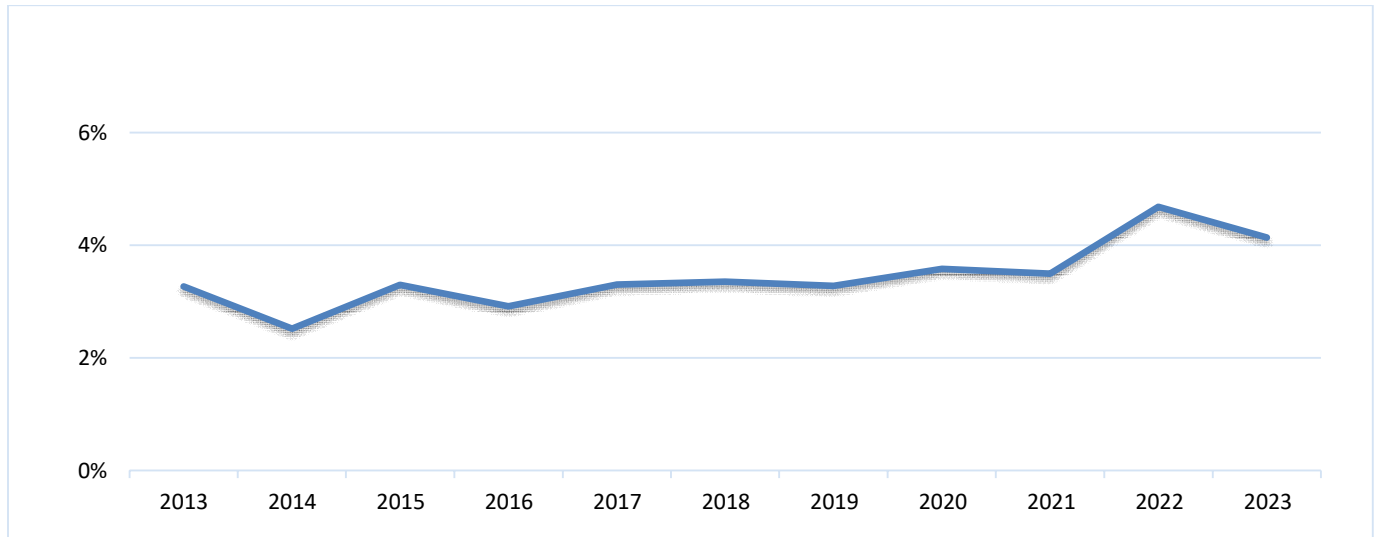


CONDITION OF CAPITAL PLANT INDICATORS

LEVEL OF OPERATING CAPITAL

(As a % of Net Operating Revenues)



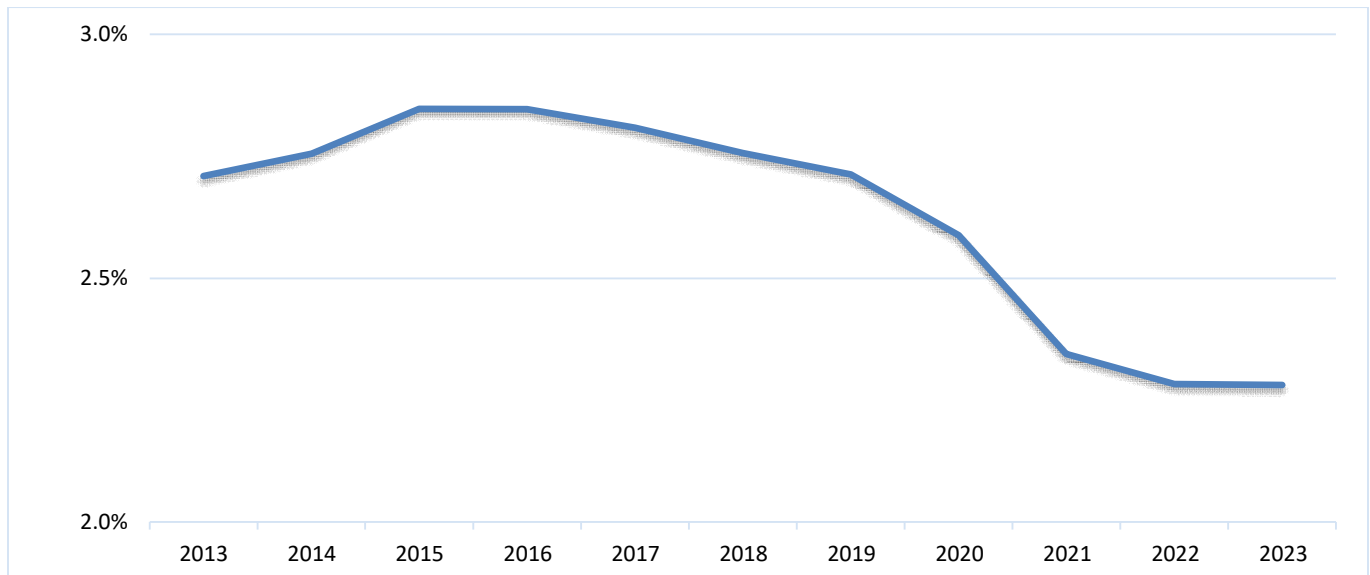
Operating capital includes expenditures for equipment in the operating budget, such as vehicles or computers. It normally includes equipment that will last longer than one year. Operating capital does not include capital improvement expenditures for construction of capital facilities such as streets, buildings, fire stations, or schools.

The purpose of operating capital in the budget is to replace worn equipment or add new equipment. The level of operating capital is a rough indicator of the status of equipment and determines if it is being maintained in good condition. A declining trend in the short run of one to three years may not be cause for concern as it could mean that a locality's needs have temporarily been satisfied. If the decline persists over three or more years, it can be an indication that operating capital needs are being deferred, resulting in the use of obsolete and inefficient equipment, increased infrastructure costs, and the creation of future unfunded liabilities.

While the overall trend for the level of operating capital is relatively flat for the 11-year timeline depicted, **FY23 levels decreased from 4.7% to 4.1%**. Since technology usage remains high across departments and efficiencies developed in response to COVID-19 have become continuous operating fixtures, it is anticipated that capital outlay will remain higher than historic averages in future fiscal years. For FY22, due to persistent supply chain struggles, the County began ordering equipment well in advance in anticipation of extended lead times, thus resulting in elevated capital costs. As the flow of materials and products continues to improve, the level of capital expenditure is expected to decrease.

DEPRECIATION

(As a % of Assets)



Depreciation is the mechanism by which a cost is associated with the use of a fixed asset over its estimated useful life. Depreciation is recorded only in the Enterprise and Internal Service Funds. Total depreciation expense typically remains at a relatively stable proportion of the cost of the entity's fixed assets, as older assets, which are fully depreciated, are usually removed from service and newer assets take their place. If depreciation expenses start to decline as a proportion of the fixed asset cost, the assets on hand are likely being used beyond their estimated useful life.

Depreciation as a percentage of assets remained the same in FY23 at 2.28%. The stagnation in this metric's trend suggests assets are currently not being used beyond their estimated useful life. After several fiscal years of decline, this may signal a trend reversal, but still warrants close monitoring. Generally, a healthy range for this indicator is between two and three percent.