

CAPITAL EQUIPMENT AND PROJECTS

Capital equipment and projects, slated at \$21.3 million for 2008, are important elements of the City's service delivery system. Capital equipment, over \$5,000, is used by employees to deliver services such as police and fire protection to the public. Capital projects, whether streets, bridges, wells, sewers, or water mains, serve community residents by providing basic necessities for industrial, commercial, and residential needs and development.

It is City policy to avoid balancing the budget by deferring capital equipment purchases. Doing so may serve an immediate purpose but it becomes a costly deferral in the long run. Failure to purchase necessary capital items can have disastrous consequences. Drawbacks to deferring capital equipment purchases results in acquiring assets whose lives do not match the repayment schedule, accentuating an extremely cyclical equipment replacement schedule, and sharply higher maintenance costs.

Since the early 1980's, capital equipment for operating departments has been funded on a level basis with a goal of minimizing erratic annual spending patterns. With balanced spending patterns, equipment replacement is ideally sought when maintenance and the accompanying loss of employee productivity become greater than the depreciation of the equipment. Certain items, such as quints and ladder trucks used by the Fire Department, are budgeted over the course of several years in order to avoid disrupting replacement schedules for other equipment. City policy dictates acquiring capital equipment if doing so eliminates or stabilizes personnel costs. Capital spending policies are discussed in the Capital Project Fund under the Public Works section and in the Financial Policies under the Supplemental section.

In 2008, 10.2% of the budget is allocated to capital items. Capital items for the City can be divided into equipment and projects. The former can be further divided into the following categories: office equipment, which is primarily office equipment and furniture, building improvements, vehicles and operating equipment, and computer hardware and software.

The \$21,303,956 budgeted for capital equipment and projects in 2008 can be divided into five components: office equipment - \$71,363; building improvements - \$93,456; vehicles and operating equipment - \$1,814,877; computer software and hardware - \$27,000; and for capital projects - \$19,297,260.

Capital equipment from 1996 through 2007 for Police, Fire, and Public Works was \$31.6 million or about \$3.5 million annually (excluding 2002 and 2003 where there were no capital purchases due to budgetary constraints). Police spent \$13.0 million for cars and specialized equipment. The Fire Department spent \$10.0 million for fire trucks, specialized fire equipment, and buildings. Public Works spent \$8.2 million for vehicles and specialized equipment in fiscal years prior to 2006, with no capital expenditures for these functions within the last year. For 2008, the City has restored General Fund Public Works capital spending in the amount of \$300,000.

Office equipment of \$71,363 is allocated to the Election Commission and the Library. The Election Commission's capital dollars will be expended on the purchase of voter registration

system equipment. In addition to making early voting terminals more accessible, the voter registration system will also assist in ensuring ballots are collected and voter registration is completed in the most efficient and effective manner possible. The Library's capital dollars are allocated for the purchase of furniture and a donor recognition sign

Building improvements of \$93,456 are allocated entirely to the Library where it will have improvements done to its main library circulation location and various other branches.

Of the \$1,814,877 in vehicles and operating equipment, four departments, the Library, Police, Fire and Public Works Water represent 100% of that total. The Police Department will purchase numerous vehicles and operating equipment including, seven (7) marked squad cars, and three (3) unmarked police vehicles. A number of police cars currently are over 100,000 miles resulting in higher maintenance costs. With the purchase of new vehicles, the cars will be on the street instead of in the shop being maintained. The fire department's capital budget has funding for the purchase of a pumper, an aerial ladder truck, and two (2) ambulances. PW Streets will be purchasing two (2) riding mowers, (1) wood chipper, and the acquisition of land to be used as a retention area for street sweeping debris in order to comply with EPA regulations. PW Traffic will be purchasing a pickup truck for traffic operations. An OTDR meter and a fusion splicer will also be procured to be used in the installation of fiber optics.

The anticipated capital purchases will replace equipment and vehicles in the existing fleet, and add new vehicles to the fleet as well. The City expects to realize a significant reduction in service and repair costs related to maintaining aging City vehicles. With new vehicle purchases, department vehicles will be used in the field more frequently rather than being out of service.

During 2008, the City will continue efforts to acquire hardware and software that improve productivity and customer service. Of the \$27,000 budgeted in computer hardware and software, the entire balance is allocated to the Library to improve processes and applications, as well as improved accommodations for library patrons.

The capital project portion, \$21.5 million (\$19.3 million capital) includes \$20 million for transportation and economic development initiatives and \$1.0 million for new water system rehabilitation projects. Other ongoing projects, already funded in previous years, will continue and incur expenses in 2008 as well. The water program fell slightly behind in 2007 and will spend 2008 catching up on projects related to the continuation of the multi-year \$75.0 million water system rehabilitation program. This development initiative was designed to address water quality (issues of iron, manganese, and radium), water pressure (inconsistent and low service pressure), and aging infrastructure. The program includes treatment plants, new wells, trunk water main lines, additional high pressure zone, pump station, etc. The program, begun in 2006, is slated to be completed in 2010. Future water improvements after that date will be funded on a pay as you go basis.

The \$20 million budgeted in the capital improvements program supports the traditional transportation and drainage programs funded by sales tax, motor fuel taxes and grants. State motor fuel taxes provide only \$4.0 million of funding while the new local sales tax, which replaced the annual street bond referendum, will generate \$16.0 million in revenue. 2008

represents the first year of the five-year capital improvement program becoming part of the current year's budget. The capital improvements program is City Council approved and funded by a mix of revenues including bond proceeds, state taxes, local taxes, and interfund transfers.