

CAPITAL EQUIPMENT AND PROJECTS

Capital equipment and projects, slated at \$31.3 million for 2005, are important elements of the City's service delivery system. In 2004, capital purchases were made possible with a bond issue of \$3.2 million.

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.

Capital equipment from 1996 through 2004 for Police, Fire, and Public Works was \$28.5 million or about \$4.1 million annually (excluding 2002 and 2003 where there were no capital purchases due to budgetary constraints). Police spent \$11.2 million for cars and specialized equipment. The Fire Department spent \$9.1 million for fire trucks, specialized fire equipment, and buildings. Public Works spent \$8.2 million for vehicles and specialized equipment.

With the downturn in the economy and the long-term effects of 9/11, General Fund revenue sources for the City have not rebounded as anticipated. The current projection is that 2005 will be a slow year in terms of revenue sources. Consequently, a limited amount of capital purchases will occur in this budget for the Police, Fire, and Public Works departments.

In 2005, 15.8% 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 \$31,328,520 which will be spent on capital equipment and projects in 2005 can be divided into six components: office equipment - \$27,500; building improvements - \$65,958; vehicles and operating equipment - \$690,000; computer software and hardware - \$141,755; encumbrances - \$1,089,200; and for capital projects - \$29,314,107.

During 2005, the City will continue the process of replacing the existing decade old financial software with a more modern and fully integrated software package. The new software will

provide enhanced capabilities and services to City departments and our customers. The City will have the ability to receive payments for services through the internet, allow ACH payments, offer payment plans, and change the water billing cycle from quarterly to monthly. With the enhanced options available for receiving payments for City services, it is anticipated that cash flows will increase. With the automation of the payment process, vacant positions may not need to be filled.

Of the \$690,000 in vehicles and operating equipment, two departments, Police and Human Services represent 100% of that total. The Police Department will purchase fifteen (15) marked squad cars, three (3) unmarked squad cars, one (1) squadroll van, and the replacement of sixteen (16) MDT laptops. Human Services will purchase two (2) buses. 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.

Building improvements of \$65,958 is allocated to two departments, Human Services and the Library. Human Services will use the money for roof repair at their Henrietta facility and the Library will improve areas within the Main Library and the Northeast Branch.

Of the \$141,755 in computer hardware and software, the Library is installing a Voice Internet Telephone System, routers, and catalog system software. With the purchase of these items, there will be savings in telephone expenses and increases in efficiencies in the operation of library processes and applications.

The anticipated capital purchases will replace equipment and vehicles in the existing fleet. The City expects to save approximately \$20,000 on service and repair costs related to maintaining aging vehicles for the Fire, Police, and Public Works departments.

With new vehicle purchases, department vehicles will be used in the field more frequently rather than being out of service. The old reserve vehicles wouldn't be used as often for vehicles out of service. For example, the four pumpers purchased by the Fire Department will allow for the retirement of three reserve vehicles that were purchased between 1978 and 1982.

Office equipment of \$27,500 consists of a voter registration system being purchased by the Election Commission. The voter registration system will assist in ensuring ballots are collected and voter registration is completed in the most efficient and effective manner possible.

The encumbrance of \$1,089,200 consists of \$736,500 for the Fire Department's four (4) pumpers and two (2) ambulances and \$352,700 for the two (2) vans and twenty-one (21) automobiles used by various budget units.