

## CAPITAL EQUIPMENT AND PROJECTS

Capital equipment and projects, slated at \$45.9 million for 2013, 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. 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 was 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.

With the 2002 economic downturn, \$3.0 million in annual capital equipment spending was eliminated. Police vehicle spending of \$500,000 was augmented by a \$3.2 million 2004 bond issue for fire trucks, ambulances, and a fifteen truck snow fleet. Spending since then has been sporadic from 2004 through 2009 for Police, Fire, and Public Works was \$8.9 million or about \$1.7 million annually. Police spent \$2.7 million for cars and specialized equipment. The Fire Department spent \$3.4 million for fire trucks, specialized fire equipment, and buildings. Public Works spent \$2.8 million for vehicles and specialized equipment, with no capital expenditures for these functions from 2005 through 2007.

In late 2011, City Council approved a policy to begin replacing capital equipment with a municipal lease program. Staff formulated a four-year plan to downsize and replace the entire City fleet. 2012 saw the purchase of approximately \$9 million in capital equipment, with a 2013 lease obligation of \$1,134,340. Staff estimates that, once fully implemented, the leasing program will cost the City \$5 million annually in payments and reduce maintenance expenses by at least \$1 million.

In 2013, 25.0% 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 \$45,935,000 budgeted for capital equipment and projects in 2013 can be divided into five components: office equipment - \$52,498; building improvements - \$125,000; vehicles and operating equipment - \$1,134,340 computer software and hardware - \$87,500; and for capital projects - \$60,517,267.

<b>Equipment Fund</b>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actual Expenditures	3,407,340	3,878,913	4,634,799	3,784,746	3,774,495	4,080,237	3,953,045

The Equipment Fund has shown historical growth in repair expenses over the past several years as a result of the elimination of capital equipment purchases.

The CIP Sales Tax has given the City a higher level of capital project investment than ever. As a result of the increased investment in road resurfacing and reconstruction, the Street Division has experienced a reduction in pothole complaints and pothole patching.

<b>POTHOLE SUMMARY</b>					
<b>Statistics</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>TOTAL</b>
Potholes Patched	152,358	88,442	188,378	72,494	501,672
Material Cost	\$ 202,810.48	\$ 126,216.72	\$ 164,580.35	\$ 98,027.08	\$ 591,634.63
Number Pothole Requests	2,792	1,808	3,503	3,298	11,401

Office equipment of \$25,000 is allocated to the Election Commission. The Election Commission's capital dollars will go toward future election equipment.

Building improvements of \$203,806 are allocated to the Main Library and various branches. The Library also has \$20,000 in office equipment as well as \$30,000 in computer software and \$37,500 in computer hardware. The Water Division's \$669,020 includes a variety of vehicles, operating equipment, and building improvements.

The anticipated capital purchases will replace equipment and vehicles in the existing fleet. The City expects to realize a significant reduction in service and repair costs related to maintaining aging City vehicles. With new vehicle purchases, it is expected that vehicle down time will drop significantly. This will allow for an overall fleet downsizing and increases in employee productivity.

The capital project portion, \$45.9 million (\$43.3 million capital) includes \$47.6 million for transportation, \$7.8 million for economic development, \$4.5 million for water for new projects, and \$0.4 million for Flood Control Storm Water Management. Ongoing projects, already funded in previous years, will continue and incur expenses in 2013 as well.

The proposed water system improvements, \$4.5 million in 2013 work, include water system operation upgrades and construction of trunk line water main.

The current program revenues for 2013 are at \$45.9 million. A new local sales tax of one percent (1%) was approved for a five year period starting July 2007 and was extended by referendum for an additional five year period April 5, 2011. The local sales tax replaces the annual street bond referendum and provides \$14.9 million in revenue. State motor fuel tax revenues of \$4.1 million increase \$605,600 over 2012.

The \$47.6 million budgeted in the capital improvements program supports the traditional transportation and drainage programs funded by sales tax, motor fuel taxes and grants. 2013 is the first year of the 2013-2017 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, interfund transfers, and grant funds.