

## CAPITAL EQUIPMENT AND PROJECTS

Capital equipment and projects, slated at \$51.9 million for 2009, 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 2009, 22.9% 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 \$55,098,909 budgeted for capital equipment and projects in 2009 can be divided into five components: office equipment - \$25,000; building improvements - \$120,000; vehicles and operating equipment - \$1,172,500; computer software and hardware - \$742,000; and for capital projects - \$49,674,579.

Capital equipment from 1996 through 2008 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 2009, capital spending was eliminated due to budgetary restraints. Vehicle repair expenses for the Police, Fire, and Public Works Departments increased \$1.7 million in 2008 due to an aging fleet.

Office equipment of \$25,000 is allocated to the Election Commission. The Election Commission's capital dollars will go toward a CD for ballot tabulation equipment in the future.

Building improvements of \$120,000 are allocated to the Property Divisions relocation of the property shop (\$40,000), office remodeling for the central garage (\$60,000), and additional heating for city property (\$20,000). Public Works Water Division and Parking Division have \$1,172,500 in vehicles and operating equipment. The Water Division's \$1,132,500 includes a variety of vehicles, operating equipment, and well house roofs scheduled for replacement. The Parking Division's \$40,000 is for the purchase of a parking control vehicle.

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 2009, the City will continue efforts to acquire hardware and software that improve productivity and customer service. Of the \$742,000 budgeted in computer hardware and software, money will go towards server software, business intelligence software, GIS license, storage software, additional Hansen licenses, Hansen Web App for service requests, parking ticket software, false alarm software, operating system software, additional storage capacity, new servers, replacement servers, primary firewall upgrade, replacement firewall for the Police Department, and network upgrades.

The capital project portion, \$51.9 million (\$49.7 million capital) includes \$29.9 million for transportation and economic development initiatives and \$22.0 million for new water system rehabilitation projects. The proposed water system improvements for 2009 (\$22.0 million) includes construction of 10 treatment plants at various well sites, installation of two wells, and construction of about 15 miles of trunkline water main. The project is being done to address several problems including low water pressure, discolored water, and the requirement to remediate radium levels at five wells. The total anticipated operating costs of the 10 treatment plants when all are fully operational will be approximately \$660,000 per year.

The \$29.9 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 \$4.2 million of funding while the new local sales tax, which replaced the annual street bond referendum, will generate \$16.0 million in revenue. 2009 represents the second 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.