

CAPITAL EQUIPMENT AND PROJECTS

Capital equipment and projects, slated at \$51.3 million for 2006, are important elements of the City's service delivery system. Capital equipment 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.

Capital equipment from 1996 through 2005 for Police, Fire, and Public Works was \$29.3 million or about \$4.2 million annually (excluding 2002 and 2003 where there were no capital purchases due to budgetary constraints). Police spent \$11.7 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 in fiscal years prior to 2005, with no capital expenditures for these functions within the last year.

The City placed a referendum before the voters on March 21, 2006 for a one-percent sales tax increase in order to finance capital projects and equipment in 2006. Sales tax revenue was sought as a replacement to general obligation bonds issued annually to fund capital projects and provide a new revenue source for the purchase of capital equipment. Voters defeated the sales tax question 8,872 (44.1%) to 11,262 (55.9%). Policymakers and staff will revise the Capital Improvements Program to reflect the reduction in revenue as well as developing alternatives to finance the needed work. In addition, the fire department will forego the purchase of a fire apparatus and an ambulance. Voter opposition to the sales tax referendum, coupled with modestly expanding revenue sources, justifies a limited amount of capital purchases in the 2006 budget for the Police, Fire, and Public Works departments.

In 2006, 22.7% 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 \$51,258,557 budgeted for capital equipment and projects in 2006 can be divided into six components: office equipment - \$85,545; building improvements - \$268,830; vehicles and operating equipment - \$1,156,365; computer software and hardware - \$161,625; and for capital projects - \$49,586,192.

During 2006, the City will continue the process of improving financial and customer service software with a more modern and fully integrated software package. The updated software will provide enhanced capabilities and services to City departments and our customers. Technology initiatives such as server consolidation efforts will reduce information technology operations costs and free up funding for the provision of e-government functions, such as the implementation of a common citizen service request (CSR) system, designed to increase service efficiency.

Of the \$1,156,365 in vehicles and operating equipment, three departments, Mayor, Police, and Fire represent 100% of that total. The Mayor's Office will purchase a new vehicle for the Mayor to serve as primary transportation for his local travel. Police Department will purchase numerous vehicles and operating equipment including, fifteen (15) marked squad cars, eight (8) unmarked squad cars, one (1) squadroll van, and the replacement of thirty-four (34) MDT laptops. 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 initially had provisional funding for the purchase an additional ambulance and half of the cost of a ladder truck, but stifled revenues have compromised the acquisition of these vehicles during the 2006 budget year.

Building improvements of \$268,830 are allocated to two departments, Fire and the Library. Extensive building improvements will be performed on several of the City fire stations, such as painting, siding, masonry, and window replacement. The Main Library will have improvements done to its roof and various other building improvements will be executed in the library branches.

Of the \$161,625 in computer hardware and software, the Library and Police Department make up 100% of that total. The Library will purchase new servers, firewall software, and several computers. With the purchase of these items, there will be increased efficiency in the operation of library processes and applications, as well as improved accommodations for library patrons. The Police Department will execute a software upgrade and procure the appropriate capacity network server, in order to improve the workflow of various processes and to increase protection of the integrity of corresponding police data.

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, department vehicles will be used in the field more frequently rather than being out of service.

Office equipment of \$85,545 is divided between the Library and the Election Commission. Of that amount, 68% is allocated to the Library for the purchase of new furniture, a copier, a risograph, and an audio visual center. The other 32% of capital funds allocated to office equipment will be allocated by the Election Commission for the purchase of a voter registration system. 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 capital portion of the 2006 Budget has no funds encumbered for the fiscal year.