

## CAPITAL EQUIPMENT AND PROJECTS

Capital equipment and projects, slated at \$62.8 million for 2011, 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.

With the 2002 economic downturn, \$3.0 million in 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. Since 2009, the City has purchased used ambulance and fire trucks.

Capital equipment 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 last year or in 2005 through 2007. For 2011, capital spending was eliminated due to budgetary restraints.

In 2011, 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 \$62,825,000 budgeted for capital equipment and projects in 2011 can be divided into five components: office equipment - \$35,000; building improvements - \$298,000; vehicles and operating equipment - \$301,000; computer software and hardware - \$190,800; and for capital projects - \$60,760,400.

<b>Equipment Fund</b>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Actual Expenditures	2,994,074	3,347,325	3,407,340	3,878,913	4,634,799	3,784,746	3,774,495

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. To address the growing maintenance costs, the City will pursue the option of vehicle leasing in 2011. Vehicle repair expenses for the Police, Fire, and Public Works Departments decreased \$10,250 from 2009's total.

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>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011 *</b>	<b>TOTAL</b>
Potholes Patched	127,127	152,358	88,442	65,753	433,680
Material Cost	\$195,000.01	\$202,810.48	\$126,216.72	\$83,712.10	\$607,739.31
Number Potholes Requests **	241	2,792	1,808	1,196	6,037
* 1/1/2011 Through 4/20/2011					
** 2/1/2007 through 4/20/2011					

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 \$208,000 are allocated to the Main Library and various branches. The Library also has \$30,000 in vehicles and operating equipment as well as \$22,000 in computer software and \$7,000 in computer hardware. The Water Division's \$360,000 includes a variety of vehicles, operating equipment, and building improvements.

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 2011, the Rockford Public Library's budgeted dollar amount of \$29,000 for computer hardware and software will go towards a microfiche machine, website eblast software, a chiller computer circuit, and servers.

The capital project portion, \$62.8 million (\$60.7 million capital) includes \$52.9 million for transportation and economic development and \$12.0 million for water for new projects. Ongoing projects, already funded in previous years, will continue and incur expenses in 2011 as well.

The proposed water system improvements, \$12.0 million in 2011 work, include 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 initiated in 2006 as a \$75.0 million program, is being done to address several problems including low water pressure, discolored water, and the requirement to remediate radium levels at five wells.

The current program revenues for 2011 are at \$52.9 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 \$14.2 million in revenue. State motor fuel tax revenues decrease \$500,000.

The \$52.9 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 \$3.3 million of funding while the new local sales tax, which replaced the annual street bond referendum, will generate \$14.2 million in revenue. 2011 is the first year of the 2011-2015 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.