

"Placerville, a unique historical past forging into a golden future."

City Manager's Report
November 27, 2018, City Council Meeting
Prepared by: Cleve Morris, City Manager
Item #: 12.4



Subject: Adopt a resolution:

1. Approving a budget appropriation from the General Fund Contingency for Unforeseen Expenditures in the amount of \$67,966 for equipment as shown on Attachment "A"; and
2. Approving a budget appropriation from the Sewer Enterprise Fund unrestricted fund balance in the amount of \$5,066 for equipment as shown on Attachment "A"; and
3. Approving a budget appropriation from the Water Enterprise Fund unrestricted fund balance in the amount of \$5,066 for equipment as shown on Attachment "A"; and
4. Authorizing the Director of Finance to obtain financing options for \$258,030 in additional equipment as shown in Attachment "A"; and
5. Directing staff to return to the City Council after the Mid-Year Budget Report is completed to identify funding options for the remainder of the Fiscal Year 2018/2019 equipment replacement needs.

Purpose:

To approve budget appropriations for certain urgent items within the City's equipment replacement program and authorize staff to pursue financing options for the remaining items.

Background:

During this year's budget development process, the Council asked staff to further refine the Equipment Replacement Program. Since that time, staff has been working on developing the Program. It was our goal to complete the program sooner. However, it has turned out to be more extensive than expected. All departments have participated in the program. Staff has identified and taken inventory of all of the City's equipment as a basis for the program. However, funding the entire program for Fiscal Year 2018/2019 has proven to be very challenging.

Discussion:

The attached documents outline the Equipment Replacement Program. Attachment "B" is a summary of all equipment by department and the estimated replacement costs. The cost of replacing each piece of equipment has been allocated by fiscal year. All equipment that has a

useful life of 6 years or more are listed under the 5+ years column. The total aggregate cost for replacing all of the identified equipment in Fiscal Year 2018/2019 is \$812,116. This would bring us current within the recommended program. However, we are still working on ways to fund this amount given current budget constraints. The reason why the amount for Fiscal 2018/2019 is so much larger than each of the following four years thereafter is because the replacement of certain equipment was deferred in previous years due to budget constraints. The proposed program would replace items based on the end of their useful life. Standards have been established based on the recommended useful life for equipment. For example, desktop computers have been assigned a useful life of 6 years. Industry standards recommend 3 to 5 years. However, past history for the City has shown that 6 years is reasonable. Vehicles and other equipment have recommended useful life based on usage and department recommendation.

Attachment “A” outlines urgent items that staff is recommending to be replaced immediately. As you can see, the list is limited to just vehicles and computer related equipment. Staff is tentatively recommending that smaller items, which are mainly computer equipment, be purchased using current contingencies and cash reserves. One exception is a \$29,900 Pickup Truck for the Parks Division which is out of service and unrepairable, and staff is tentatively recommending this item be added to the list of items to be funded by cash reserves. The items tentatively recommended to be funded from contingencies and reserves total \$78,098. The remaining items could potentially be financed through a capital lease or other financing mechanism which staff is researching at this time. The total of these remaining items is \$258,030. Some of the remaining items, such as police vehicles, have a long lead time for ordering. Therefore, it is important that we proceed as soon as possible. Staff is hoping that we can get approval for the lease purchase program as soon as possible.

Staff presented this information to the City Council at its November 13, 2018 meeting, and the Council gave general concurrence to staff’s preliminary recommendations. Tonight, staff is seeking formal approval from the City Council in how to proceed in funding the \$336,128 in immediate equipment replacement needs.

Options:

1. Approve the equipment budget appropriations for urgent items totaling \$78,098 as recommended above, authorize staff to obtain financing options for the remaining items totaling \$258,030, and direct staff to bring back report after the Mid-Year Budget Report is completed.
2. Identify additional funding options for the remaining equipment replacement needs.
3. Modify the Capital Outlay Budget funding recommendations and direct staff to return to the Council with other formal budget recommendations.
4. Do not approve the Capital Outlay Budget funding recommendations and give staff further direction in how to proceed.

Cost: The cost of the proposed Capital Outlay Budget is \$336,128. \$78,098 in equipment is recommended to be purchased with cash, and \$258,030 in equipment is recommended to be financed with a capital lease. If a capital lease is secured, interest expenses would also be incurred. Staff will return to the Council at a later date with financing options and cost analysis.

Budget Impact: The proposed \$336,128 Capital Outlay Budget was not included in the adopted Fiscal Year 2018/2019 Operating Budget. Staff is recommending \$78,098 in budget appropriations for the equipment needing immediate replacement. The remaining \$258,030 is recommended to be financed, and additional budget appropriations will be recommended at a later date for the associated debt service.

Recommendation: Adopt a resolution:

1. Approving a budget appropriation from the General Fund Contingency for Unforeseen Expenditures in the amount of \$67,966 for equipment as shown on Attachment “A”; and
2. Approving a budget appropriation from the Sewer Enterprise Fund unrestricted fund balance in the amount of \$5,066 for equipment as shown in Attachment “A”; and
3. Approving a budget appropriation from the Water Enterprise Fund unrestricted fund balance in the amount of \$5,066 for equipment as shown in Attachment “A”; and
4. Directing staff to return to the City Council after the Mid-Year Budget Report is completed to identify funding options for the remainder of the Fiscal Year 2018/2019 equipment replacement needs.


M. Cleve Morris, City Manager


Dave Warren, Director of Finance

Attachments:

1. *Resolution*
2. *Attachment A: Urgent Items*
3. *Attachment B: Equipment Replacement List*