



# 2023 Capital Equipment

City Council Workshop | Finance

9/19/2022

# Agenda

- ▶ Overview of Capital Equipment
- ▶ Trends and Asset Data
- ▶ Current Year Process
- ▶ Requests
- ▶ Internal Service Funds
- ▶ Policy Decisions

# Capital Equipment

- ▶ Assets with a useful life of 1+ year including:
  - ▶ Computers
  - ▶ Heavy Machinery
  - ▶ Software
  - ▶ Vehicles



# Revenue Source



- ▶ General Fund unrestricted reserves
- ▶ Utility unrestricted reserves
- ▶ Utility user fees
- ▶ Facility chargebacks
- ▶ Debt instruments, e.g.
  - ▶ Certificate of Indebtedness
  - ▶ Capital Note
- ▶ Investment earnings
- ▶ Sale of fixed assets



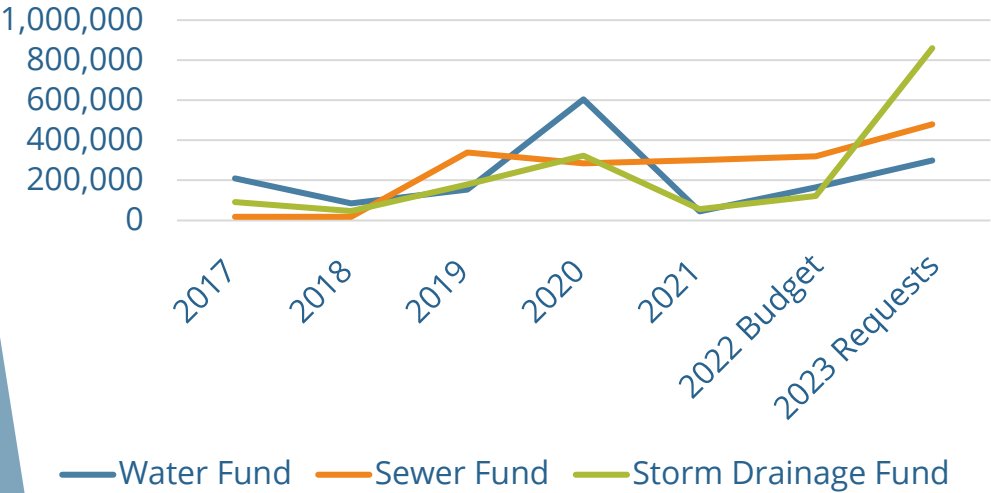
# Trends and Asset Data

Section 1 of 3

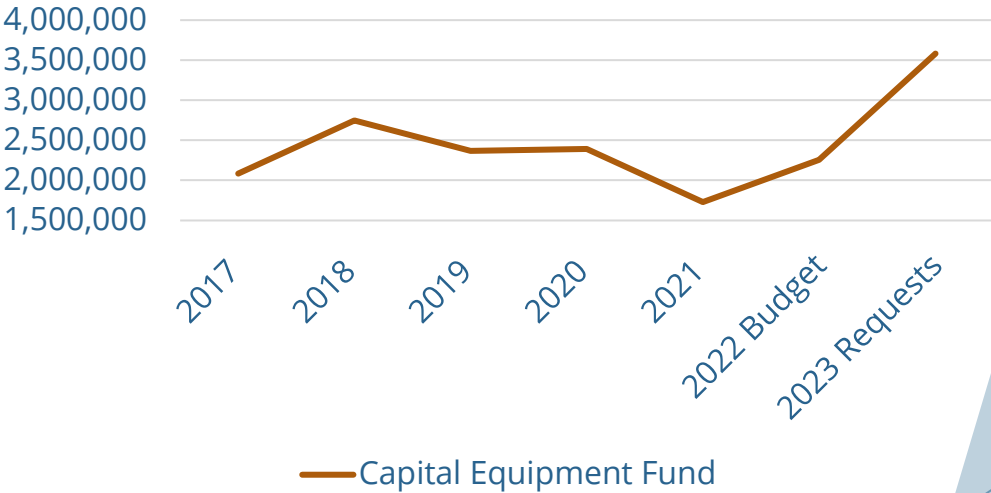
# Historical Trends



**Utility Capital Equipment Expenditures 2017-2023**



**General Capital Equipment Expenditures 2017-2023**



# Equipment Condition/Age

- ▶ Working towards regular replacement schedule by utilizing the Fleet Rightsizing Study
- ▶ Fleet study analyzed 344 units of vehicles and equipment
- ▶ 44.7% of the units are potentially up for replacement

Point Range	Condition	Number of Units
Under 18 points	Excellent condition	161
18 to 22 points	Good condition	29
23 to 27 points	Qualifies for replacement	39
28 or more points	Needs immediate consideration for replacement	115



# Assets Maintained

## Water

- 4 water treatment plants
- 21 well houses
- 4 water towers
- 328 miles of water pipe

## Sewer

- 32 lift stations
- 248 miles of sanitary pipe

## Storm

- 185 miles of stormwater pipe
- 111 miles of ditches





# Assets Maintained

## Parks

- 755 acres of parks
- 38 park shelters
- 38 playgrounds
- 826 acres of open space
- 79 miles of trails
- 110 miles of sidewalks

## Streets

- 297 centerline miles of street
- 612 lane miles of street

## Other Buildings & Structures

- 26 buildings and structures

# Current Market Conditions

## Supply Challenges

- Lack of equipment supply
- Significant delays between ordering and receiving equipment
- Several 2022 purchases have been delayed due to lack of supply

## High Inflationary Costs

- All funds 5-year average capital equipment costs are \$2.8 million
- Low inflation (15%): \$3.2 million
- High inflation (30%): \$3.6 million



# Current Year Process

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# Vetting Process

## Feasible

- Does the acquisition make sense for Blaine?
- Does this equipment provide greatest efficacy per taxpayer dollar for this work?

## Reasonable

- Requests met criteria and each is individually sensible
- Is request in alignment with level of service?

## Defensible

- What data supports the acquisition?
- What are the gains from purchasing the equipment?

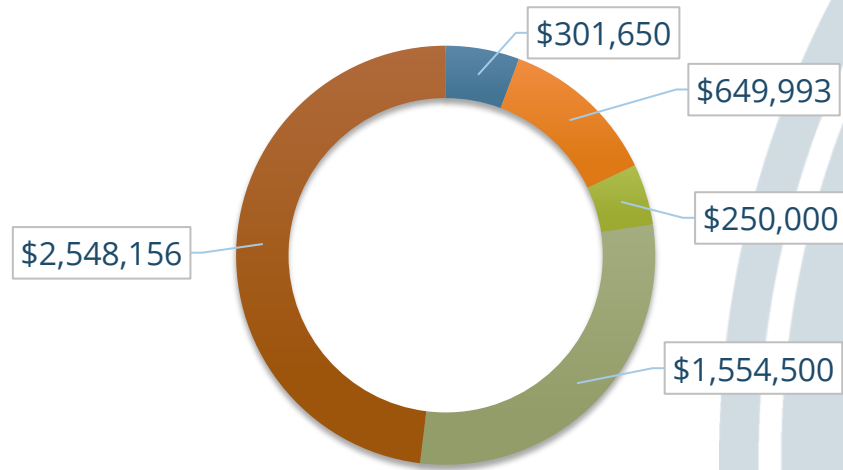


# Policies and Current Year Process

- ▶ Working towards long range planning and proactive replacement
- ▶ Funds Included (Facilities, Capital Equipment, Water, Sewer, & Storm)
- ▶ Software policy (1st year plus implementation in capital)
- ▶ Vetting Process
  - ▶ Service Level Focus
  - ▶ Reviewed requests under criteria of:
    - ▶ Feasible
    - ▶ Reasonable
    - ▶ Defensible
    - ▶ Data driven

## 2023 Requests by Type

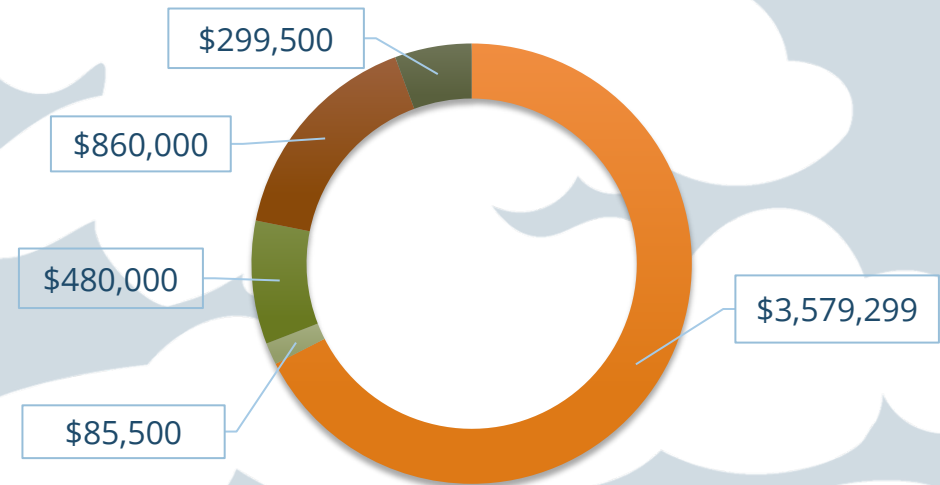
(\$5.3 million total)



- Computers and Related Equipment
- Other Equipment
- Software
- Utility Vehicles and Wheeled Equipment
- Vehicles and Wheeled Equipment

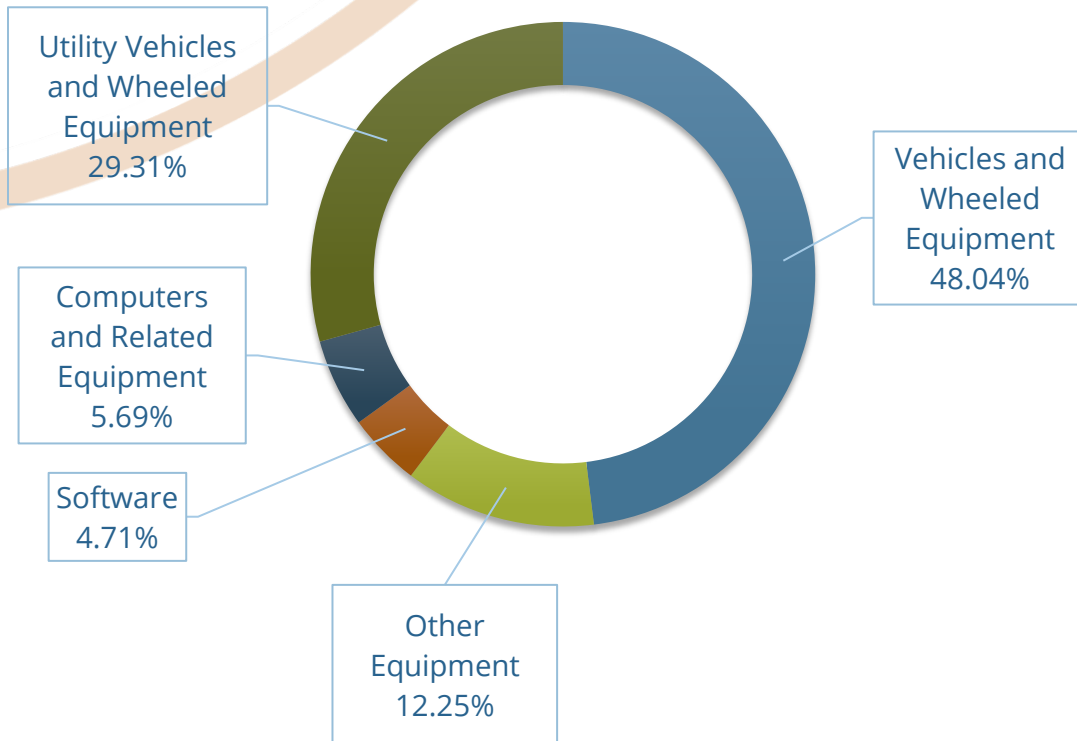
## 2023 Requests by Fund

(\$5.3 million total)

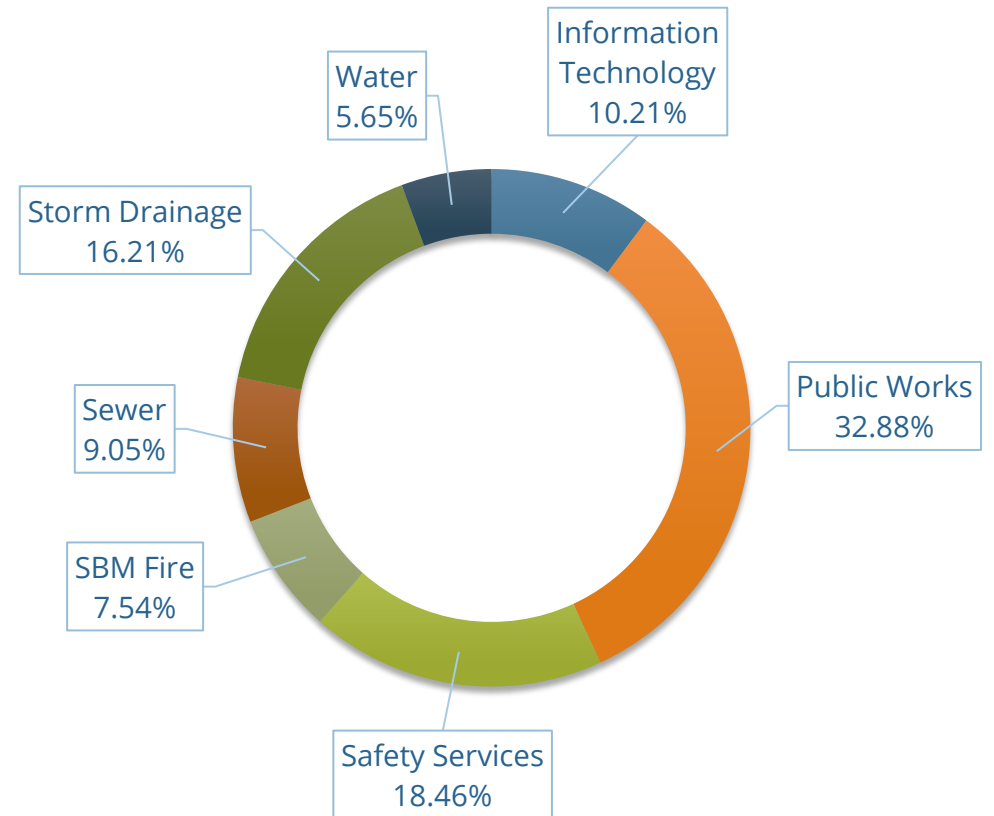


- Capital Equipment Fund
- Sewer Fund
- Water Fund
- Facilities Fund
- Storm Drainage Fund

## 2023 Requests by Type



## 2023 Requests by Department



# Service Level Focus

Council Established Guidance

 Restore

 Maintain

 Shift

Seeking Council Guidance



Enhance



New



# 2023 Department Requests Under Consideration

## Council Established Guidance

## Seeking Council Guidance

Shift	<ul style="list-style-type: none"><li>• Park Maint. 141,000</li><li>• Sewer 380,000</li><li>• Streets 92,000</li></ul>	
Restore	<ul style="list-style-type: none"><li>• Public Buildings 10,500</li><li>• Information Technology 250,000</li><li>• Streets 70,000</li><li>• Sewer 100,000</li><li>• Vehicle Maint. 66,000</li></ul>	
Maintain	<ul style="list-style-type: none"><li>• Community Standards 50,000</li><li>• Fire Protection 400,000</li><li>• Information Technology 291,650</li><li>• Parks Maint. 300,000</li><li>• Police 575,381</li><li>• Public Buildings 75,000</li><li>• Streets 944,000</li><li>• Storm Drainage 860,000</li><li>• Vehicle Maint. 131,000</li><li>• Water 299,500</li></ul>	<div>Enhance</div> <ul style="list-style-type: none"><li>• Police Armored Vehicle* 180,000</li><li>• Police E-Bicycle 3,052</li><li>• Police Patrol Vehicle 5269 66,100</li><li>• Police Speed Trailers 19,116</li></ul>

*\* The police armored vehicle will be presented to council separately at the October 3 workshop*



# Where We Are Going

Section 3 of 3

# Internal Service Funds



- ▶ Two new funds in 2024:
  - ▶ Fleet Internal Service Fund
  - ▶ IT Internal Service Fund
- ▶ Goal is to capture true costs of these programs
- ▶ Ensures equitable allocations of costs for enterprise-wide services

# Notes and Questions for Council

- ▶ October 8 fall retreat – city manager recommended budget
- ▶ 2022 inflationary costs versus adopted budget
- ▶ What additional questions does council have to help us prepare for the council retreat?