

## EQUIPMENT ACQUISITION FUND SUMMARY

The Equipment Acquisition Fund (EAF) was created in FY1987 to purchase capital equipment. The EAF acquires the majority of capital equipment for all General Fund departments. Capital equipment eligible for funding in the EAF includes marked patrol cars, ladder trucks, pumper trucks, garbage trucks, maintenance equipment, furniture, computers, communication equipment, construction equipment and other items that have an average useful life of 3 to 15 years.

In FY1997, City Council approved Ordinance No. 96-1178, which authorizes the issuance of commercial paper to finance the purchase of capital equipment, budgeted in the EAF. This technique provides "on-time" financing (i.e. commercial paper issuance timed to payments to vendors) at traditionally lower interest rates.

### FIVE-YEAR REPLACEMENT PLAN

At the direction of the Mayor, the Department of Finance and Administration (F&A) Director requested each department to prepare a Five-Year Equipment Acquisition Replacement Plan. This was prepared in conjunction with the annual budget and the Capital Improvement Plan. The first step in the development of the equipment replacement plan was a needs assessment. The departments evaluated their fleets based on operational requirements to determine: (a) do they have all the equipment they need, (b) could they remove from their fleet excess vehicles, or (c) do they require additional vehicles to perform their assigned City services. Then, departments reviewed their fleets to determine an optimum replacement schedule for all vehicles and other equipment. Finally, the first five years of this schedule were presented as a Replacement Plan.

F&A analysts performed a detailed review of the departments' submissions to evaluate the current fleet size, reserve fleet size, maintenance procedures and replacement criteria used by the departments. This independent analysis enabled F&A to develop a logical and supportable plan for vehicle replacement. F&A made recommendations to the departments to adjust the Five-Year Plan submissions to insure that the replacement requests were reasonable. The FY2007 portion of the Five Year Replacement Plan is the recommended FY2007 Equipment Acquisition Fund budget.

The Information Technology Department worked with all City departments to determine the appropriate number of technology assets needed to perform City business along with maintaining a standard configuration for desktop components. The Chief Technology Officers of the City departments worked together on the Technology Steering Committee (TSC) to identify technology replacement needs (both hardware and software) and establish a list of IT projects that should be funded. This process produced a set of guidelines for computer asset replacement and a prioritized list of information technology infrastructure improvements.

### APPROVAL PROCESS

Even after the completion of the five-year plan, the purchase of a vehicle or piece of equipment through EAF must pass through additional approval steps. First, each City department submits their equipment needs to F&A for consolidation into a fiscal year Equipment Procurement Plan. The procurement plan is forwarded to City Council for approval. Second, funds for all equipment purchases must be appropriated by City Council. Third, City Council must approve the specific purchase, normally with a review by the Strategic Purchasing Division of Finance and Administration to insure that appropriate procurement regulations were followed.

## EQUIPMENT TYPES

Following is an overview of the categories of equipment appropriated in this fund:

**Rolling Stock Replacement** – the City's rolling stock is comprised of a wide array of equipment ranging from tractors, mowers and trailers to patrol cars, garbage trucks, and fire apparatus. This year, emphasis is being placed on identifying vehicles that will cost more to repair than the annual debt service cost if these vehicles are replaced. Solid Waste Management is requesting replacement of sideloader garbage trucks with high maintenance costs. The Police Department is replacing high mileage marked patrol cars and investigative units while the Fire Department is targeting the replacement of ambulances, some fire-fighting apparatus, SUVs for District Chiefs, and squad vehicles for paramedics.

**Other Equipment** – this category is comprised of all items that are not rolling stock or computer equipment. It ranges from environmental health laboratory equipment to automated garbage containers. Typically, the Fire Department will request replacement bunker gear and the Parks Department will request replacement of athletic and recreational equipment.

**Information Technology (IT)** – this category is comprised of all IT hardware and voice/data communications technology. This equipment ranges from network infrastructure enhancements to the replacement of obsolete hardware, software, and data communication components. The replacement of desktop components (computers, printers, scanners, monitors), servers, and data storage arrays will continue as the older components are no longer supported by the manufacturer, and maintenance costs become prohibitive. Upgrades and improvements of the network will enable the successful implementation of major projects such as the Enterprise Resource Planning (ERP) system and a new Records Management system for the Houston Police Department.

## FISCAL YEAR 2007

For FY2007, guidelines were distributed to all departments to help prioritize replacement requests for non-specialty and specialty vehicles. First, a department must show that the vehicles to be replaced have been actively utilized over the past twelve months. Next, a vehicle must have logged at least 95,000 miles or must be at least 10.5 years old in order to be considered for replacement. The exception to the age requirement is for marked police vehicles and ambulances, which must be 6 years or 4.5 years old respectively. If a vehicle does not meet one of the above guidelines, the department must show that the maintenance costs to continue to operate a vehicle will be greater than the annual debt service on the purchase of a new vehicle.

Guidelines for desktop computer replacements are four to five years. Major IT projects must receive approval of the TSC before the departments submit the item to the budget review process.

**FY2007 EQUIPMENT ACQUISITION**

| DEPARTMENT                  | FY2005<br>ADOPTED | FY2006<br>ADOPTED | FY2007 BUDGET    |                    |                           |                 |
|-----------------------------|-------------------|-------------------|------------------|--------------------|---------------------------|-----------------|
|                             |                   |                   | ROLLING<br>STOCK | OTHER<br>EQUIPMENT | INFORMATION<br>TECHNOLOGY | FY2007<br>TOTAL |
| AFFIRMATIVE ACTION          | 0                 | 0                 | 0                | 0                  | 0                         | 0               |
| BUILDING SERVICES           | 106,423           | 156,476           | 0                | 0                  | 0                         | 0               |
| CITY CONTROLLER             | 0                 | 0                 | 0                | 0                  | 0                         | 0               |
| CONVENTION & ENTERTAINMENT  | 0                 | 0                 | 0                | 0                  | 0                         | 0               |
| FINANCE & ADMINISTRATION    | 0                 | 28,000            | 0                | 0                  | 0                         | 0               |
| FIRE                        | 8,447,307         | 6,913,107         | 0                | 0                  | 0                         | 0               |
| *INFORMATION TECHNOLOGY     | 17,495,600        | 12,500,000        | 0                | 0                  | 0                         | 0               |
| HEALTH & HUMAN SERVICES     | 0                 | 239,221           | 0                | 0                  | 0                         | 0               |
| HOUSTON EMERGENCY CTR       | 0                 | 0                 | 0                | 0                  | 0                         | 0               |
| HUMAN RESOURCES             | 0                 | 0                 | 0                | 0                  | 0                         | 0               |
| LEGAL                       | 17,758            | 19,668            | 0                | 0                  | 0                         | 0               |
| LIBRARY                     | 0                 | 16,645            | 0                | 0                  | 0                         | 0               |
| MAYOR'S OFFICE              | 0                 | 0                 | 0                | 0                  | 0                         | 0               |
| MUNICIPAL COURTS – ADMIN    | 105,245           | 53,000            | 0                | 0                  | 0                         | 0               |
| PARKS & RECREATION          | 36,380            | 898,762           | 0                | 0                  | 0                         | 0               |
| PLANNING                    | 0                 | 20,199            | 0                | 0                  | 0                         |                 |
| POLICE                      | 5,890,100         | 6,995,000         | 0                | 0                  | 0                         | 0               |
| PUBLIC WORKS & ENGINEERING  | 1,370,000         | 872,846           | 0                | 0                  | 0                         | 0               |
| SOLID WASTE MANAGEMENT      | 5,857,665         | 5,028,209         | 0                | 0                  | 0                         | 0               |
| GENERAL FUND SUBTOTAL:      | 39,326,478        | 33,741,133        | 0                | 0                  | 0                         | 0               |
| MISCELLANEOUS:              |                   |                   |                  |                    |                           |                 |
| CONTINGENCY                 | 983,200           | 788,364           | 0                | 0                  | 0                         | 0               |
| EQUIPMENT ACQUISITION TOTAL | 40,309,678        | 34,529,497        | 0                | 0                  | 0                         | 0               |

\*Information Technology (Org 1520) was implemented in FY2001 in General Government to setup one account for the procurement of all computer related items to be monitored by the Chief Information Officer per Executive Order (1-44). In FY2003, Information Technology functions were separated from Finance and Administration and established as an independent department.