# 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 and related IT equipment, 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.

## CHANGES FOR FISCAL YEAR 2008

Beginning in FY2008, the acquisition of equipment will change by gradually shifting these costs to the operating budgets in the general fund. Historically, the practice of funding the purchase of equipment with debt has meant each department competed with each other over a limited resource. This practice has also caused equipment purchases to compete with capital project funding. Over the next few years, this dynamic will change to a policy of charging departments for the full cost of their equipment, which will enable better decision-making. Currently, departments' operating budgets incur the cost of operations, maintenance and fuel costs, and in the future will include the capital costs associated with their equipment. This way, departments will evaluate the need for new equipment against the other needs of the department. Additionally, departments can identify and consider cost savings from lower repairs/maintenance expenses that could be redirected to the debt service for the purchase of additional equipment. This improved budget practice will also result in more accurate reporting of the full cost of operating the department.

Each year a base level of debt funding will be established outside the department's operating budgets for equipment purchases. This base level will gradually decrease over the next few years. However departments will be given the opportunity to enhance and increase their level of purchases by paying for the debt service out of existing operating funds, through savings, efficiencies or utilizing other best practices.

**Fleet/Equipment Internal Service Fund** - effective with the FY2008 budget year, the City will begin the transition to an internal service fund for fleet (and eventually IT) equipment. The departmental budgets will be charged a capital charge for the use of existing vehicles that still have outstanding debt obligations. This amount will be sufficient to pay the debt service associated with the specific vehicle being utilized. The department will make regularly scheduled payments to the Fleet/Equipment Internal Service Fund, which will subsequently transfer the required amount to the appropriate debt service fund. For new vehicles purchased in FY2008, the capital charge will be calculated at the time of purchase and charged to the departments operating budget in the same manner. Finally, departments will be allowed to purchase additional vehicles they deem necessary, and approved by the Building Services Department (the "BSD"), from savings and cost efficiencies. There will be no increase to the departmental operating budgets for these additional vehicles, rather these proven savings will be committed to the payment of the debt service associated with the purchase.

## FIVE-YEAR REPLACEMENT PLAN

At the direction of the Mayor, each department developed 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 were to evaluate 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.

As with the Capital Improvement Plan (the "CIP") the first year of the plan becomes the recommended budget for the FY2008 Equipment Acquisition Plan. Beginning in FY2007, BSD worked with the departments in identifying the fleet/rolling stock to be replaced and updated the Five-Year Plan based on these replacement requests. BSD reviewed the department requests to verify the equipment met at a minimum the existing recommended replacement guidelines of 95,000 miles or a usage pattern that would indicate the unit might attain 100,000 miles within the next fiscal year, or the unit exceeded the recommended replacement age by 1.5 times. These criteria are currently under review by BSD. Equipment with excessively high maintenance costs or low reliability was also considered for replacement.

The Information Technology Department worked with 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 (the "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. This resulted in the development of the FY2008-2012 Technology Investment Plan (the "TIP"). 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.

## EQUIPMENT TYPES

Following is an overview of the categories of equipment typically included 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 the older, high mileage equipment in order to reduce current and future maintenance/repair costs, and increase vehicle reliability and availability. Solid Waste Management is prioritizing the replacement of the split rearloader refuse trucks used in its' recycling program and 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 pumper and ladder trucks, ambulances, some fire-fighting apparatus, SUVs for District Chiefs, and squad vehicles for paramedics. The Parks Department is concentrating on high maintenance mowers and the associated equipment needed to support the work crews.

**Other Equipment** – this category is comprised of all items that are not rolling stock or computer equipment. This year's requests include rolling stock maintenance equipment, replacement bodies for paving equipment, and call center consoles and other equipment for the Houston Emergency Center.

**Information Technology (IT)** – this category is comprised of all IT hardware, projects 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.

# FY2008 EQUIPMENT ACQUISITION

| DEPARTMENT | FY2006 ADOPTED | FY2007 ADOPTED | FY2008 BUDGET ROLLING STOCK | FY2008 BUDGET OTHER EQUIPMENT | FY2008 BUDGET INFORMATION TECHNOLOGY | FY2008 BUDGET FY2008 TOTAL |
|---|---|---|---|---|---|---|
| AFFIRMATIVE ACTION | 0 | 22,054 | 0 | 0 | 0 | 0 |
| BUILDING SERVICES | 156,476 | 179,200 | 0 | 0 | 0 | 0 |
| CITY CONTROLLER | 0 | 0 | 0 | 0 | 0 | 0 |
| CONVENTION & ENTERTAINMENT | 0 | 69,935 | 0 | 0 | 0 | 0 |
| FINANCE & ADMINISTRATION | 28,000 | 66,162 | 0 | 0 | 0 | 0 |
| FIRE | 6,913,107 | 6,871,416 | 0 | 0 | 0 | 0 |
| *INFORMATION TECHNOLOGY | 12,500,000 | 0 | 0 | 0 | 0 | 0 |
| HEALTH & HUMAN SERVICES | 239,221 | 1,076,440 | 0 | 0 | 0 | 0 |
| HOUSTON EMERGENCY CTR | 0 | 0 | 0 | 0 | 0 | 0 |
| HUMAN RESOURCES | 0 | 42,000 | 0 | 0 | 0 | 0 |
| LEGAL | 19,668 | 0 | 0 | 0 | 0 | 0 |
| LIBRARY | 16,645 | 49,000 | 0 | 0 | 0 | 0 |
| MAYOR'S OFFICE | 0 | 0 | 0 | 0 | 0 | 0 |
| MUNICIPAL COURTS – ADMIN | 53,000 | 0 | 0 | 0 | 0 | 0 |
| PARKS & RECREATION | 898,762 | 1,406,789 | 0 | 0 | 0 | 0 |
| PLANNING | 20,199 | 22,054 | 0 | 0 | 0 | |
| POLICE | 6,995,000 | 7,290,697 | 0 | 0 | 0 | 0 |
| PUBLIC WORKS & ENGINEERING | 872,846 | 1,173,033 | 0 | 0 | 0 | 0 |
| SOLID WASTE MANAGEMENT | 5,028,209 | 2,654,200 | 0 | 0 | 0 | 0 |
| GENERAL FUND SUBTOTAL: | 33,741,133 | 20,922,980 | 0 | 0 | 0 | 0 |
| MISCELLANEOUS: | | | | | | |
| CONTINGENCY | 788,364 | 750,000 | 0 | 0 | 0 | 0 |
| EQUIPMENT ACQUISITION TOTAL | 34,529,497 | 21,672,980 | 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.