



# **Renewal & Replacement Program**

**June 1<sup>st</sup>, 2022**



# Agenda

## Discussion Points

- Definitions
- Background
- Proposed Renewal & Replacement (R&R) Program
- Next Steps
- Benefits
- Recommendation & Timeline
- Questions

# Definitions



## Capital Assets

- Assets that are used in operations and that have initial useful lives extending a year. Capital assets include:
  - Major government facilities
  - Infrastructure
  - Equipment and networks that enable the delivery of government services

## R&R Reserves

- Reserves intentionally accumulated towards the renewal or replacement of capital assets

## R&R Program

- Tracks capital assets and their useful lives
- Funds the replacement of assets when they reach the end of their useful lives

# Background



The City does not have a R&R Program.

Over \$82 million in aging general capital assets will be due for replacement in future fiscal years.

Replacement of general assets are currently budgeted on a pay-as-you-go basis causing budgeting surprises annually.

The Government Finance Officers Association (GFOA) recommends that municipal reserve policies include a renewal and replacement component to prudently manage the City's investments in capital assets.

Reasons for adopting a Renewal & Replacement Program:

- Shared vision
- Objectivity
- Fiscal justification
- Credit strength
- Public awareness
- It's the responsible thing to do!

# Proposed R&R Program



## Program Components and Exclusions

- R&R Policy
- Asset Inventories & Replacement Schedules
- Dedicated R&R Fund
- R&R Reserves (to become part of the City's Reserves Policy)

*The Program will focus on assets that are funded directly and/or indirectly by the General Fund.*

- Exclusions:
  - Stormwater, Sanitation, and Utility Assets – Reserves for these assets will be established by adopted rate studies and/or debt covenants included in debt issuances
  - Fleet Vehicles

# Next Steps



## Establish a R&R Policy

- Identifies the goals of the R&R reserves
- Defines the intended use of the reserves
- Includes utilization/evaluation criteria for use of reserves
- Establishes periodic, systematic reviews of the R&R funds
- Complies with laws and regulations

## Establish a Dedicated R&R Fund

- Create a stand-alone R&R Fund that is funded annually with transfers from the General Fund as per established R&R schedules

# Next Steps - Continued



## Take Inventory and Develop Replacement Schedules

- Conduct a study across departments to inventory all assets with an aggregate value of over \$50K and a useful life of 5 years or more
- Develop replacement schedules and funding needs

*- Example of items that may be included on schedules:*

- Computers & laptops
- Soccer field turf
- Court resurfacing
- Police equipment
- HVAC Replacement
- Roof Replacement
- YMCA & Golden Isle Tennis Center Operating Agreement Reserves



# Next Steps - Continued

## Example of an R&R Schedule

|                                | 2023                | 2024                | 2025                | 2026                | THEREAFTER | TOTAL                |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|------------|----------------------|
| <b>CITY HALL</b>               |                     |                     |                     |                     |            |                      |
| HVAC SYSTEM                    | \$ 50,000           | \$ 50,000           | \$ 50,000           | \$ 50,000           | \$ 100,000 | \$ 300,000           |
| ROOF REPLACEMENT               | 15,000              | 15,000              | 15,000              | 15,000              | 500,000    | 560,000              |
| EXTERIOR                       | 35,000              | 35,000              | 35,000              | 35,000              | 200,000    | 340,000              |
| PLUMBING                       | 25,000              | 25,000              | 25,000              | 25,000              | 50,000     | 150,000              |
| OTHER                          | 300,000             | 300,000             | 300,000             | 300,000             | 1,500,000  | 2,700,000            |
| <b>PARKS AND RECREATION</b>    |                     |                     |                     |                     |            |                      |
| SOCCER FIELD TURF              | 100,000             | 100,000             | 100,000             | 100,000             | 600,000    | 1,000,000            |
| PARK BENCHES                   | 5,000               | 5,000               | 5,000               | 5,000               | 250,000    | 270,000              |
| POOL RESURFACING               | 3,000               | 3,000               | 3,000               | 3,000               | 3,000      | 15,000               |
| HVAC SYSTEM                    | 10,000              | 10,000              | 10,000              | 10,000              | 60,000     | 100,000              |
| ROOF REPLACEMENT               | 200,000             | 200,000             | 200,000             | 200,000             | 200,000    | 1,000,000            |
| SIGNAGE                        | 1,000               | 1,000               | 1,000               | 1,000               | 41,000     | 45,000               |
| OTHER                          | 750,000             | 750,000             | 750,000             | 750,000             | 2,500,000  | 5,500,000            |
| <b>POLICE</b>                  |                     |                     |                     |                     |            |                      |
| BULLET PROOF VESTS             | 45,000              | 45,000              | 45,000              | 45,000              | 100,000    | 280,000              |
| TASERS                         | 10,000              | 10,000              | 10,000              | 10,000              | 160,000    | 200,000              |
| BODY CAMERAS                   | 10,000              | 10,000              | 10,000              | 10,000              | 160,000    | 200,000              |
| OTHER                          | 300,000             | 300,000             | 300,000             | 300,000             | 1,500,000  | 2,700,000            |
| <b>INNOVATION TECHNOLOGY</b>   |                     |                     |                     |                     |            |                      |
| COMPUTERS & LAPTOPS            | 50,000              | 50,000              | 50,000              | 50,000              | 100,000    | 300,000              |
| NETWORK REPLACEMENT            | 15,000              | 15,000              | 15,000              | 15,000              | 440,000    | 500,000              |
| SERVERS                        | 50,000              | 50,000              | 50,000              | 50,000              | 100,000    | 300,000              |
| PHONE SYSTEM                   | 25,000              | 25,000              | 25,000              | 25,000              | 50,000     | 150,000              |
| OTHER                          | 1,000               | 1,000               | 1,000               | 1,000               | 6,000      | 10,000               |
| <b>TOTAL ANNUAL FUNDING</b>    | <b>\$ 2,000,000</b> | <b>\$ 2,000,000</b> | <b>\$ 2,000,000</b> | <b>\$ 2,000,000</b> |            | <b>\$ 16,620,000</b> |
| <b>Ending Reserves Balance</b> | <b>\$ 2,000,000</b> | <b>\$ 4,000,000</b> | <b>\$ 6,000,000</b> | <b>\$ 8,000,000</b> |            | <b>\$ -</b>          |





# Next Steps - Continued

## Example of an R&R Asset

- Soccer Field Turf at Bluesten Park
- Cost to Replace is \$1,000,000
- Life span of the park is 10 years

*The program would allow for a set aside of \$100,000 per year from the general fund which will allow for multi-year planning to accumulate funding for the replacement need.*

# Benefits



## Benefits and expected outcomes

- Avoid costly budgetary surprises
- Avoid the need for “one-time” major expenditures
- Allow the City to focus on the operating budget when developing the General Fund budget
- Funding is established and is also part of the City’s Reserves Policy
- Improves the accuracy of annual reporting of operating costs for decision-making and rate setting

# Recommendation & Timeline



## Recommendation

- Set aside \$2 million for FY23 to establish the R&R Fund

*(based on current estimates of annual depreciation for general assets of approximately \$6.9 million)*

## Timeline

- Create departmental schedules for R&R – June thru August 2022
- Agenda Item to create the R&R Fund – August/September 2022
- Create R&R Policy and submit to City Manager - October 2022
- Fund the R&R Fund with FY23 recommended transfer - October 2022
- FY22 Budget Amendment to move unspent capital expenditures to R&R Fund – November 2022



# Questions?

THANK YOU