



Renewal & Replacement Program

June 1st, 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
CITY HALL						
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
PARKS AND RECREATION						
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
POLICE						
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
INNOVATION TECHNOLOGY						
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
TOTAL ANNUAL FUNDING	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000		\$ 16,620,000
Ending Reserves Balance	\$ 2,000,000	\$ 4,000,000	\$ 6,000,000	\$ 8,000,000		\$ -



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
