



**CITY OF SAN CARLOS FY 2010-11 BUDGET
BASE BUDGET EXPENSE AMENDMENT –
PROGRAM CHANGE FORM – PROGRAM ADD**

PROGRAM: 01000000 General Fund
REQUEST TITLE: Reduce Funding of Equipment Replacement

Priority Tracking	
Department Priority	2
City Manager Priority	12
City Manager Recommended	Y
Council Accepted	

Request Summary

Reduce funding of the equipment replacement program by 50%.

Factors Driving the Request for Change

- In FY 2007, the Equipment Replacement Fund was re-established. At the time the annual funding need was determined to be between \$400,000 and \$600,000.
- Since FY 2007, approximately \$2 million has been transferred into this fund (\$500,000 from Sewer Fund and \$1.5 million through either annual budgeted allotments or by using prior year General Fund savings.) However, also during this time, the City Manager has put a soft-freeze on spending and has only allowed equipment purchases upon specific request rather as scheduled which has built up the fund balance. As of December 31, 2009, the fund balance for equipment replacement (not including technology) was approximately \$1.1 million.
- In December 2009, City Council directed staff to budget capital and equipment replacement at the fully funded level which totaled \$440,000 of funding from the General Fund.

Impacts of Change

- Staff has been able to stretch out the useful lives of the equipment on the replacement schedule which has reduced the amount of annual expenditures. It is not anticipated that this will be sustainable. However, equipment needs can be funded from the unrestricted fund balance for the next fiscal year.
- Staff also recommends that an outside consultant review the equipment replacement schedule and confirm the annual funding need is correct for future budgeting years. As our full-time employee count has been reduced, some of the equipment needs have also been reduced.

Alternatives

- 1) Continue to fund Equipment Replacement at 100% as per Choose no action on the proposed budget amendment.
- 2) Choose alternate amount and hire a consultant to review and update the equipment replacement schedule and annual funding requirements.

Line Item Description	Org Number	Object Code	Total Amount
Operating Expense (list detail description below)			
General Fund transfer to Equipment Replacement Fund	01000000	590002	220,000.00
Total General Fund Operating Costs			\$ 220,000.00
Overhead Allocation Impact (cost to or recovery from other funds)			
From Workers Comp		493201	
From Risk Mgmt		493301	
From Sewer		490601	
From NPDES		491501	
From Gas Tax		491601	
From RDA		498001	
From RDA Housing		498101	
Net General Fund Savings			\$ 220,000.00