

M E M O



Date: July 30, 2012
To: Chair Stephen Albers and Members of the Board of Trustees
From: Clifford Jo, Director of Finance & IT
Subject: Proposal to change Capital Fund Transfer

In anticipation of significant ongoing budget shortfalls, I have been scrutinizing the Capital Improvement Plan, its respective budget, and needs for funding. During the last Board meeting I introduced a new way of thinking and planning projects by using a data-driven approach especially for facilities and vehicles.

On the following page is a summarized version culled from the detailed calculations. Also attached is the large spreadsheet of the detailed calculations that have been crunched using data drivers based on past costs, our past pattern of capital needs, and projected costs. Not that I'm suggesting you read the large spreadsheet, but it provides you a snapshot of the intermediary data. The summarized version on the next page uses the bottom part of the detailed sheet.

I am reasonably confident about projecting roofs, HVACs, carpeting, and major repairs; the data has a reasonable pattern to when we've carried out these capital items. We are still doing some research on vehicles in investigating the lifespan of various vehicles and future needs; it will be a thoughtful approach. The difficult area of planning is technology; absent is a technology plan that can provide us deep future guidance (which would be no better than projections). However, I've begun putting together some known aspects of technology. Some discussion must occur regarding the replacement of the library catalog, the financial/HR system, replacement of media dispensers, and automated materials handling systems. Depending on how protracted we experience economic challenges, these and other major technology projects may be pushed out or funded differently.

At this time, based on my analyses of the projects with priority towards "must-do" projects, we can maintain an adequate Capital Fund Balance by reducing the transfer from 3% to 2%. In 10 years our fund balance is about \$1.1 million and there are no intervening years with less than \$1 million in the fund. The revenue side is conservative as I don't account for year-end savings, which is permissive and practiced regularly per Fiscal Management policy.

As I mentioned during the last Board meeting, the calculations and the data are works in progress and will be updated as more information becomes known, especially technology. At least twice a year the information will update (during the fiscal year budget and during the annual report).

I would like to hear your thoughts and feedback during the Board meeting, as this approach is an important facet to helping us balance future operating budgets.

Table 1: Summary of major capital projects (by category)

<u>SUMMARY</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
ROOFS	148,000	-	-	-	-	-	-	-	-	-
HVACS	217,000	-	-	-	-	-	-	-	134,000	83,000
CARPETING	100,000	-	-	-	14,000	-	-	393,000	22,000	186,000
MAJOR REPAIRS	61,200	62,400	63,600	64,800	66,100	67,500	68,900	70,300	71,700	73,200
VEHICLES	25,000	145,000	86,000	246,000	78,000	-	37,000	55,000	93,000	87,000
TECHNOLOGY	165,000	209,000	129,900	460,800	381,700	212,600	383,600	464,600	135,600	216,600
SUB TOTAL CIP	716,200	416,400	279,500	771,600	539,800	280,100	489,500	982,900	456,300	645,800
CONTINGENCY	36,000	25,000	25,000	39,000	27,000	25,000	25,000	49,000	25,000	32,000
GRAND TOTAL CIP	752,200	441,400	304,500	810,600	566,800	305,100	514,500	1,031,900	481,300	677,800

Table 2: Capital Fund Balance (2% Transfers and Capital Plan)

<u>CAPITAL FUND BALANCE</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
BEGINNING FUND BALANCE	2,224,069	1,978,514	2,004,222	2,158,501	1,806,780	1,698,559	1,860,886	1,822,840	1,276,598	1,290,342
<u>REVENUES</u>										
2% GENERAL FUND TRANSFER	506,645	467,108	458,779	458,879	458,579	467,427	476,454	485,658	495,044	504,616
<u>EXPENDITURES</u>										
CAPITAL IMPROVEMENTS PLAN	752,200	441,400	304,500	810,600	566,800	305,100	514,500	1,031,900	481,300	677,800
ENDING FUND BALANCE	1,978,514	2,004,222	2,158,501	1,806,780	1,698,559	1,860,886	1,822,840	1,276,598	1,290,342	1,117,158