CITY COUNCIL REPORT

POLICY AGENDA

TO: Ed Zuercher
City Manager

AGENDA DATE: February 23, 2016

FROM: Jeff Barton
Budget and Research Director

ITEM: 3

SUBJECT: FIVE-YEAR BUDGET FORECAST

This report presents the preliminary status for the General Fund (GF) fiscal year (FY) 2016-17 budget and a five-year GF forecast through FY 2020-21 (**Attachment A**). The five-year forecast is being presented to the Mayor and City Council for the fifth consecutive year and provides an essential tool in long-term budget discussions and decision making. The forecast shows a potential of $32-$55 million in one-time surplus for 2016-17, with as much as $49 million in one-time and ongoing needs. Additionally, employee compensation is currently in negotiation and no specific amount is forecast pending the conclusion of those agreements.

THE ISSUE

The February 2015 Five-Year Forecast predicted a GF budget deficit of ($31M) to ($58M) for fiscal year 2016-17. Several steps have led to a projected balanced budget for FY 16-17. These include accumulating one-time savings of $25 million in FY 14-15 and proactive steps in 2015-16 to reduce ongoing costs and to defer and reduce spending wherever possible.

With this strong fiscal planning and early action, the projected funding gap for existing programs in 2016-17 has been eliminated with a potential one-time GF surplus of between $32 and $55 million available to address one-time needs. These needs include public safety items like police body cameras, fire electronic billing and records system (ePCR) and a failing public safety tower and road on North Mountain. In addition, the funds could be used to address debt service payments being made from the Debt Service Reserve Fund, which will be drawn down to its minimum advisable limit this year. However, these one-time and debt service needs could exceed the one-time surplus. Further, employee labor contracts are currently in negotiation. Any restorations negotiated would require additional ongoing resources.

The Phoenix City Charter requires a balanced budget each year. In March, a balanced City Manager's Trial Budget will be presented for Council and Community discussion along with the Preliminary Five-Year Capital Improvement Program (CIP). The budget will present options for debt service payments and one-time capital requests. Community Budget Hearings will begin on March 28, 2016.

OTHER INFORMATION

It is important to note that the preliminary FY 2016-17 budget is based on existing state-shared revenue models and statutory obligations. Any changes to state-shared

revenue formulas or other revenue sources proposed in the Governor's budget or in legislative bills that would negatively impact the GF budget are not reflected and would need to be solved, if adopted by the State.

An updated Five-Year Forecast shows that while the budget situation appears to be improving, the City of Phoenix Employee Retirement System (COPERS) and the Public Safety Personnel Retirement System (PSPRS) will continue to place pressure on the GF budget. It is important to note that while pension costs are increasing in the short-term, recent actuarial projections estimate that COPERS reform will save the City approximately $1.1 billion over the next two decades. State PSPRS pension reforms being referred to the May 2016 ballot could also have a significant impact on pension costs over the next two decades as well.

Over the last few years, the City Council has taken necessary actions to protect City services while facing very challenging financial conditions. The City Council has led important fiscal reform measures, including:

- $106 million in innovation and efficiency savings to date since 2010
- Elimination of about 100 management positions; a decrease of 22% and a significantly higher percentage than position reductions overall
- Consistently raising the contingency fund to its highest level in our history
- Balancing the deficit in Public Safety funds without sworn layoffs

Preliminary Status of 2016-17 General Fund Budget

2016-17 Resources- The chart below shows the preliminary resources projection:

GF Resource Category	**2016-17 Preliminary Estimate** (in millions)	**2016-17 Preliminary Projected Annual Growth Rate %**
Local Sales & Excise Taxes	$446	3.4%
State-Shared Revenue [1]	$390	5.3%
Primary Property Tax [2]	$145	3.4%
User Fees and Other	$121	-1.4%
Beginning Balance [3]	$100	N/A
Transfers/Recoveries [3]	$3	N/A
Total GF Resources	**$1,205**[4]	**2.9%**

[1] This does not reflect any negative impact to State-Shared Revenue resulting from legislative changes that have recently been proposed or discussed during the current legislative session.

[2] Assumes the continuation of City Council's adopted policy to maximize the primary levy in order to preserve GF services. Any deviation from this policy would require an ongoing reduction to GF programs.

[3] Estimates for beginning balance and transfers/recoveries are not derived from annual growth rate projections or broader economic factors.

[4] It is important to note that this number is inflated by $54 million of one-time carryover.

Revenue Forecasting Model- In the fall of 2014, Budget and Research consulted with the University of Arizona's Eller College of Management, Economic and Business Research Center (EBRC) to enhance the City's sales tax revenue forecasting process. Dr. George Hammond, EBRC Director, and Dr. Alberta Charney, Senior Research Economist, spent several months working with City staff to develop an enhanced econometric sales tax forecasting model for all categories of City sales tax. The EBRC leads the State of Arizona Forecasting Project, which provides in-depth economic forecast analysis and databases on a subscription basis to businesses, organizations, and government via membership. The additional consulting with Drs. Hammond and Charney has provided the City with solid, independent economic and statistical expertise used to develop a statistically valid forecasting model specifically for the City of Phoenix. The projected growth rates in each category of sales tax for the FY 2016-17 estimate and five-year forecast are based on projections developed with the enhanced econometric forecasting model.

2016-17 Expenditures- The preliminary expenditure estimates may change as cost estimates are further refined in the coming months. At this time, the preliminary FY 2016-17 General Fund expenditures are projected to be between $1.150 and $1.173 billion. This compares to the adopted GF expenditure budget of $1.157 billion for FY 2015-16. Pension costs are the primary reason for this increase. Attachment A illustrates this point best as "operating expenditures" (which includes all budgeted expenditures except pension costs) have actually been reduced by approximately $34 million between FY 2015-16 and FY 2016-17 whereas combined pension costs reflect an increase of $36 million.

Pension Costs- General Fund pension costs in COPERS will increase by about $15 million as compared to the FY 2015-16 budget. This growth is tied to recent actuarial changes that changed previous assumptions related to mortality rates, plan earnings, and payroll growth. However the pension reform measures enacted by the City Council and approved by Phoenix voters mean these short-term increases are anticipated to slow over time and will result in savings of approximately $1.1 billion over the next two decades.

The costs of sworn Police and Fire pensions will increase by about $21 million as compared to the FY 2015-16 budget. As discussed in last year's five-year forecast, the primary cause for this increase is the State Supreme Court *Fields* decision which repealed portions of Arizona Senate Bill 1609 pension reform legislation. Also important to note is that future fiscal years will also likely include additional PSPRS rate increases that stem from other pending court challenges and system funding issues. A three-year phase-in plan, like that offered and used for the *Fields* impact, will allow the City time to identify solutions and options for the funding increases required to comply with these court rulings. Proposed State PSPRS pension reforms could help to reduce the increases in contribution rates in the future. The upcoming *Hall* case will have a potential funding impact as well.

Other Expenditure Changes- Aside from pension, other areas where costs are preliminarily estimated to increase in FY 2016-17 include:

- State charges for the implementation of Transaction Privilege Tax (TPT) Reform were expected to decrease by $1 million this year, however we have recently been informed that due to conversion issues this savings will not be realized. The State will charge the City $2.4 million in 2016-17.

- The jail per diem rates for booking and daily housing charged by the Maricopa County Sheriff's Office (MCSO) are increasing by 7.3% and 5.7% respectively and will result in an increase of approximately $1.5 million.

- The Contingency fund is assumed to increase from $46 million to $50 million, remaining on track to grow to recommended levels. The $50 million includes a one-time set-aside from the sale of police helicopters. This set-aside could be used on one-time purchase of police equipment such as body cameras. The actual contingency fund is estimated at $48 million and reflects an increase of approximately $2 million per year going forward.

- The City of Phoenix has requested the Industrial Commission of Arizona (ICA) approve an alternate to the posting of a statutory deposit for the City of Phoenix's unpaid Workers Compensation claims because of the size of our reserves. The City will maintain risk management trust fund and self-insurance reserve funding levels equal to two years of annual expenses. If approved, this frees up as much as $15 million in one-time funding in FY 2016-17.

Detailed preliminary estimates with multiple year-to-year comparisons are included in the Zero-Based Budget Inventory of Programs document, which was presented to the Council at the February 9, 2016 Policy Session and is available online at phoenix.gov/budget. Revenue and expense estimates continue to be developed, and more definitive estimates will be presented along with the City Manager's Trial Budget in March.

<u>One-Time Surplus and Looking Ahead</u>

In the December 2015 "Early Status" Report, staff identified five items as having a significant impact on the upcoming and subsequent fiscal year budgets. These items included:

- Contingency levels and growth
- GF revenue and the strength of the economy
- Labor contract negotiations taking place this year for 2016-2018
- Allocating vacancy savings
- Debt service and property tax impacts

Options on how to best address these areas of concern and how to best utilize the one-time surplus of between $32 and $55 million will be included in the City Manager's Trial Budget on March 22, 2016. Any labor contract restorations or additions will be additions to the forecasted expenditures and will require new revenues or reduced expenditures elsewhere in the budget. Debt service payments will require shifting primary property tax collections to secondary tax collections with a reduction of General Fund expenditures; or an increase of secondary tax collections; or use of one-time resources to delay the previous two actions by one year.

Five-Year Forecast

Development and presentation of the five-year forecast is an important step in the City's budget process. Evaluating projected available resources and identifying potential ongoing budget surpluses or funding gaps will allow City Management and City Council to develop strategic plans to ensure the continuation of city operations and optimize services to the community.

The General Fund five-year forecast (**Attachment A**) is provided to the City Council and the community for consideration and provides city policy-makers:

- A strategic financial management best practice
- A framework for strategic decision-making
- The opportunity to make policy changes to maximize city resources and service delivery
- A roadmap to continued fiscal health and award-winning budgetary and financial reporting

The forecast is not an official policy or legal budget document and does not enact any budgetary allocations. The forecast is also not intended to set or precisely predict future revenues or expenditures. Rather, the forecast presents current estimates based on several economic and financial assumptions of the future direction and ranges of growth rates for both resources and expenditures. The economic, revenue, and expenditures assumptions are provided in **Attachment B**.

The forecast is built on several assumptions outlined in Attachment B regarding:

- The national, state and local economy
- Population and job growth
- Revenue growth
- Impacts of anticipated increasing pension liabilities
- Cost management practices
- Future year expenses

All of these factors are subject to change and detailed further in this report.

Projecting future available resources and expenses over multiple years is complex and involves several assumptions concerning how revenue and expenditures will grow over time. In order to model potential future budgetary scenarios under varying economic conditions, a range is provided for resources and expenditures. The differences between the upper and lower ends of the ranges increase slightly in the later years of the forecast reflecting additional economic uncertainty. The top of each range represents the "optimistic" forecast, while the bottom of the range represents the "pessimistic" forecast. All of the ranges are based upon the assumptions described in this report.

It is important to note, if any of these assumptions as described were to change or modeled differently, the ranges of amounts presented in the forecast would need to be revised. Unexpected economic shocks, recessions, legislative mandates or other risks to the forecast can also adversely affect projections.

Additionally, even slight variances in the revenue and expenditure growth rates in the initial years of the forecast result in substantial changes to the later years due to the compounding effect of the changes. For example, a variance in revenue growth in FY-2016-17 of only 1%, can result in a variance of $11M to the ending balance, which would impact the ending fund balances in the subsequent forecast years. Long-term forecasts become less reliable the further they are from development because of the many underlying assumptions subject to frequent fluctuations.

Projections are formulated in the first six months of the fiscal year and are based on a current projection of where staff believes resources and expenditures will be for the current fiscal year and the subsequent five years. In order to create the most reliable revenue and expenditure projections, staff relies on several economic sources, months of actual collections and extensive technical reviews before recommending estimates to City management and ultimately the City Council for final consideration.

RECOMMENDATION

The General Fund preliminary 2016-17 budget status and Five-Year Forecast are provided for information and discussion.

ATTACHMENTS

Attachment A- Five-Year General Fund Forecast

Attachment B- Forecast Assumptions

ATTACHMENT A
5-Year General Fund Forecast ($Millions)

	2015-16 Adopted Budget	2016-17 Preliminary Budget Estimate	For Planning Purposes Only 2017-18 Forecast	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast
Resources						
Local Taxes	$435	$446	$460 - $467	$475 - $488	$490 - $513	$507 - $539
State Shared Revenues	368	390	399 – 405	410 – 423	423 – 443	437 – 465
Primary Property Tax	140	145	150 – 152	154 – 159	159 – 166	163 – 173
User Fees and Other	118	121	123 – 125	125 – 129	127 – 133	130 – 138
Other (Carryover Balance, Transfers, Recoveries)	51	57	(3)	(2)	(1)	4
Unused Contingency from Prior Year	45	46	50	50	52	54
Total Resources	**$1,157**	**$1,205**	**$1,179 - $1,196**	**$1,212 - $1,247**	**$1,250 - $1,306**	**$1,295 - $1,373**
Expenditures						
Operating Expenditures	$912	$878-$855	$880 - $876	$870 - $865	$893 - $887	$918 - $911
Civilian Pension	70	85	94	98	103	105
Sworn Public Safety Pension	122	143	169	183	199	215
Contingency	46	50	50	52	54	56
Pay-As-You-Go Capital (Includes Technology Plan)	7	8	8	7	8	7
Minimum Vehicles	-	9	8	8	8	8
Total Expenditures	**$1,157**	**$1,173 - $1,150**	**$1,209 - $1,205**	**$1,218 - $1,213**	**$1,265 - $1,259**	**$1,309 - $1,302**
PROJECTED (DEFICIT)/SURPLUS:	**$ -**	**$32 - $55[1]**	**$(30) - $(9)**	**$(6) - $34**	**$(15) - $47**	**$(14) - $71**

Key Resource Forecast Assumptions:

* The forecast assumes modest revenue growth with no recession, no fee increases or decreases and no new revenue sources.
* No changes to current revenue base as provided in state and city laws or to state shared revenue formulas.

* Relative population for state shared revenues is based on estimates from the League of Arizona Cities and Towns, and the Arizona Department of Administration Employment and Population Statistics Office beginning in FY 2016-17.

Other Forecast Notes:

* Ranges provided for revenues and operating expenditures. Upper & lower ends of ranges increase slightly in later years of forecast reflecting additional economic uncertainty in the later years.

* Ranges include pessimistic and optimistic scenario within assumptions provided by the primary sources of economic information mentioned in this report.

* When a baseline deficit or surplus is projected, the next year's operating expenses are assumed to be decreased or increased by the baseline deficit/surplus amount prior to applying the assumed annual projected growth rate, as the City is required by Charter to balance the budget each year; e.g. 2018-19 operating expenses are reduced by the 2017-18 baseline deficit amount prior to applying the assumed annual projected growth rate.

Key Expenditure Forecast Assumptions:

* The contingency fund increases annually $2M through the forecast period.

* Includes minimal additional future funding for infrastructure or capital equipment replacements, program enhancements, unfunded mandates, expiring grants, etc.

* 2016-17 employee costs based on projections under the current Council-adopted pay plan ordinance, employee contracts, and actuarially required contribution for pension. No assumptions have been made concerning future labor contract negotiations.
* Non-personnel related expenditures for 2017-18 and beyond assumes expenditure growth is in line with recent historical averages.

* Expenses for projected debt service related to the public safety mandated radio conversion and the new phone system conversion are included in the forecast.

[1] One-time carryover balance. There are potential demands on the one-time carryover balance of up to $49 million, including debt service and public safety technology and repair. Employee compensation would be additional.

ATTACHMENT B

Forecast Assumptions

Economic Sources - Budget and Research staff relies on several different sources for economic data and forecasts to assist with developing revenue and expenditure projections.

The list below includes the primary sources of information:

- State Finance Advisory Committee (FAC) which includes several economists and finance professionals from the private and public sector
- State Joint Legislative Budget Committee (JLBC)
- University of Arizona (U of A), Economic Business Research Center
- Global Insight, IHS
- Arizona State University (ASU) – WP Carey School of Business, and Western Blue Chip
- Arizona Department of Administration (ADOA) - Employment and Population Statistics Office
- JP Morgan Chase Economic Outlook Center
- Blue Chip Economic Indicators – National Level
- U.S. Bureau of Labor Statistics
- U.S. Census Bureau
- Phoenix Business Journal
- University of Arizona (U of A) Forecasting Project – A community-sponsored research program within the Economic and Business Research Center providing project members with economic forecasts for Arizona, the Phoenix-Mesa metro area, and the Tucson metro area. City staff attends the Forecasting Project quarterly meetings and receives quarterly reports and data/projections used to assist in developing our forecasts. Forecasting Project data relies on Global Insight, IHS which is a well-known economics organization that provides comprehensive economic and financial information. The data from this project is incorporated into an econometric software program used to forecast sales tax.

Economic Outlook

The overall consensus from these trusted sources is economic growth in Arizona and the Phoenix Metro area is anticipated to continue, however at a pace that is slower than previous recoveries. They do predict economic expansion will continue but at a moderate pace with no recession on the forecast horizon. However, it is worth noting that at the October 2015 FAC meeting the presentation handout included information regarding a possible future recession, “if historical average holds true, a recession is likely in this forecast cycle”.

At the national level, the National Blue Chip of Economic Indicators predict GDP growth of 2.5% in 2016, virtually unchanged from 2015 and 2014. They attribute the stagnant growth in GDP to continued weakness in the manufacturing sector that partially results from the strong dollar’s impact on exports; growing worries about economic growth in China and other emerging markets; deteriorating global credit conditions as the Federal

Reserve attempts to normalize interest rates; and rising geopolitical risks, especially in the Middle East" (Blue Chip Economic Indicators, January 2016).

Arizona still has not regained the jobs lost during the Great Recession. From peak employment of 2.7 million in October 2007, Arizona lost 314,000 jobs over a three-year period. Through October 2015, Arizona has regained 88% of lost jobs, with Phoenix regaining 97% of jobs lost (U.S. Bureau of Labor Statistics). According to the W.P. Carey School of Business, "During 2016, the Arizona economy will be on track to finally replace the jobs lost during the recession. However, the mix of employment in 2016 will be different from the composition of the economy in past expansion years." (Economic Forecasting Luncheon, December 2015). It was also mentioned, that while job growth is improving, there is a lack of high wage earning jobs which decreases purchasing power and further depresses a faster recovery.

The State's FAC indicated in January 2016 that while Arizona is experiencing continued expansion but it is slower than historical averages. Like last year's report, they cited the main factors behind the slower growth as:

	Historical	Current
Overall Job Growth	3.9%	2.5%
Construction Employment	5.7%	5.5%
Population Growth	3.1%	1.5%
Single Family Residential Building Permits	38,000	22,000

While the state economy still faces challenges, there is positive news. According to the U of A Economic Business Research Center, the metro Phoenix economy is expected to strengthen over the next three years, with job growth reaching 2.9% by 2017. Stronger job gains translate into faster growth in personal income and retail sales" (Economic Outlook, 2015 4th Quarter Report).

Other significant economic assumptions from trusted sources built into this forecast include the following:

- Personal income for the Phoenix Metro area is projected to grow an average of 6.2% for the forecast and range from 5.1%-6.5% (UA/Global Insight).
- Growth in population is expected to continue, but at lower rates than historical growth. Phoenix Metro population is projected to grow 1.8% in 2016 slightly up from 1.6% in 2015 (U of A Economic Research Center).
- Non-farm employment in metro Phoenix is estimated to grow 3.0% in 2016, up slightly from 2.8% in 2015 (Greater Phoenix Blue Chip Forecast).
- Greater Phoenix unemployment is estimated to fall to 4.8% in 2016, compared to 5.2% in 2015 (Greater Phoenix Blue Chip Forecast).
- Continued improvement of the housing market, but still years away from a complete recovery. Single family residential building projected to increase by 30% in 2016, up from growth of 25% in 2015, the best year for single family housing since 2007. (ASU W.P. Carey School of Business).

- Inflation is expected to increase during the forecast period with the Consumer Price Index-All Urban Consumers (CPI-U) rising by 1.8% in FY 16/17. (U of A Economic Research Center). In the past 50 years, CPI-U has ranged from negative 0.4% in 2009, to a high of 13.5% in 1980 (U.S. Department of Labor Bureau of Labor Statistics).
- Concerns regarding foreign economic markets continue to present risks to the national economy, including continued slowing of China's economy, and concerns of contractions in Brazil and Russia. Additionally, slower than previously anticipated growth in Canada, South Korea, and the U.K. all contributed to the consensus forecast slipping in the final quarter of 2015. (National Blue Chip, January 2016).

Resource Assumptions- Revenue growth rates are determined using information from our above mentioned trusted sources, analyzing actual revenue trends and averages, and factoring in any known policy or legislative changes.

Revenue assumptions beyond the broader economic considerations are described below:

- No further period of recession with modest revenue growth for the forecast horizon.
- Annual revenue growth rates range from 3.2% to 4.0% during the forecast period.
- No impact to current revenue tax base, as provided in applicable state statutes and City ordinances.
- No future impact to state shared revenue formulas or legislation or action that could impact city revenue sources.
- Projections account for negative impact to state-shared income tax collections from previous State legislation passed in 2011 and 2013.
- Projections include assumptions regarding proposed changes to how Phoenix's relative population share will be calculated beginning in FY 2016-17, which impacts state shared revenue collections.
- The forecast does not include any further negative financial impact to the City that may result from the previous Governor's Tax Simplification Task Force recommendations, including tax portal implementation and associated legislation.
- No future fee increases or decreases and no new sources of revenue.
- Potential increases to revenue resulting from economic development efforts and further innovation and efficiency savings are not included in the forecast.
- Ranges provided for revenues: upper and lower ends of ranges increase slightly in later years of the forecast reflecting additional economic uncertainty.

Expenditure Assumptions- Assumptions regarding forecasted expenditures are described below:

- Annual operating expenditure growth rates, except for pension, are based on historical averages.
- The forecast assumes an increase in pension costs based on historical actuals and information made public by the City of Phoenix Employees Retirement System (COPERS) and the Arizona Public Safety Personnel Retirement System (PSPRS) actuaries. The forecast does not attempt to predict future pension liabilities, assets or other plan assumptions, but rather to account for the currently anticipated rising costs of pension systems.
- Pension costs for PSPRS directly resulting from the ruling in the case of Fields v. Elected Officials Retirement Plan have been actuarially determined and therefore included in the full forecast period.
- The forecast does not include any impact of additional pension reform measures for either COPERS or PSPRS that have not been adopted or the impact of pending litigation.
- The forecast assumes minimal, gradual increases in expenditures for critical vehicle replacements and IT plan additions and no additional funding for infrastructure and capital equipment replacements, program enhancements, new unfunded mandates, expiring grants, or employee compensation increases or decreases, etc.
- Pay-as-you-go capital costs are based on the preliminary estimates in the five-year Capital Improvement Program.
- The forecast includes projected debt service for the mandated Regional Wireless Cooperative radio replacements and the replacement of the city phone system and associated technology infrastructure.
- The contingency fund is assumed to increase annually $2 million through the forecast period.
- The 2016-17 total compensation costs are based on projections under the current Council-adopted pay plan ordinance, employee contracts, and the current actuarially required contribution for pension.
- No other financial impact from changes to labor unit contracts resulting from current of future negotiations is assumed.
- In forecast years with a projected baseline deficit or surplus, the next year's operating expenses are assumed to decrease or increase by the baseline deficit/surplus amount prior to applying the assumed annual growth projection, as the City is required by Charter to balance the budget each year.
- Ranges provided for operating expenditures: upper and lower ends of ranges increase slightly in later years of the forecast reflecting additional economic uncertainty.

Other Items Not Included in Base Budget or the Five-Year Forecast- The costs below are items and needs that do not currently have a funding source and therefore were not included in the base budget or the five-year forecast. These costs may need to be ultimately borne, in part or in whole, by the General Fund if no other funding source is identified by the time these costs are imminent.

- The Fire Department needs to replace its aging Emergency Transportation (ETS) billing system with an electronic billing and records system (ePCR). The billing solution currently used by the department is antiquated and paper-based. Next year major insurance carriers, including Medicare and Medicaid, will begin withholding payment and charging providers for not having an electronic billing system. This will result in lost revenue to the General Fund as ETS currently brings in approximately $36 million annually. At this time, the estimated cost to implement this system is approximately $2.8 million. Staff also believes that at some point within the first one to two years of implementation that staffing levels in Fire could be adjusted and result in savings.
- The Police Department needs funding to implement a body camera program. A fully functional and operational body camera program will require approximately 2,000 cameras and between 30 and 40 additional staff in the Police and Law Departments. There is also a significant cost to maintain and store the video footage. At this time, the estimated annual cost of a fully operational body camera program is estimated at between $6 and $9 million.
- Other aging City infrastructure and critical equipment, technology needs, etc. have also been deferred due to funding shortages, and additional maintenance and replacement costs are not built into the forecast. Two major projects that illustrate this best are the North Mountain Radio Tower project and the Access and Badging Control System project. The North Mountain Radio Tower project requires approximately $7 million to repair and replace the road and radio tower at North Mountain. The tower is a major component of the Regional Wireless Cooperative Network (RWC) that supports many public safety entities across the valley and state. The Access and Badging Control System used by Public Works to limit access to City facilities will reach end of life in 2018. At that time the badging system will be completely unsupported by the manufacturer and parts may become obsolete. The cost to implement a new badging system is estimated at approximately $6.5 million and will require more than a year to fully implement.
- The Fire Department needs additional funding to replace apparatus equipment including pumpers, ambulances and ladders, which were originally purchased with voter approved General Obligation Bond funds. Of the 88 fire pumper trucks in the fleet, 57 will be due for replacement in the next four years. With the limited funding available, a lease/purchase program was approved by Council to authorize the purchase of 14 fire pumper trucks at a cost of $1.2 million per year starting in FY 2014-15, and these costs have been included in the forecast. However, costs for the remaining pumper trucks, ladder trucks and other equipment were not included in the forecast.