

# City Council Agenda Memo

**From:** Darrell Hartmann, Fire Chief

**Council Meeting:** January 28, 2020

**Subject:** Landfill Interfund Loan for a 2020 Fire Engine

**Person(s) Responsible:** Erick Rangel, Chief Financial Officer

## **Summary:**

Action is required to authorize the financing of the 2020 Fire Engine purchase through an Interfund Loan from the Landfill. This practice has been utilized for other purposes and provides a competitive rate for both the Landfill and Capital Improvement Fund.

## **Background:**

The Brookings Fire Department budgeted to replace a 2001 Fire Engine. Replacement of Fire Engines occur on an 18-year basis in order to reduce maintenance costs and breakdowns. A prior memo recommends the purchase of the 2020 Fire Engine for \$540,243. Over the next ten years the Fire Department will need to replace multiple aging apparatuses at similar prices.

Historically the City utilizes funds within the Capital Improvement Fund (CIP) for large purchases. The fund cannot provide necessary financing for the entire purchase and fund all necessary projects outlined in the 2020 plan. Therefore, a lease purchase or internal fund loan was determined as the best option.

## **Discussion:**

Staff researched current rates for lease purchase through traditional measures. Additionally, collaborative efforts between city partners was sought. The CFO researched past practice of internal loan funds and found this as the most advantageous funding mechanism for both the Landfill and Capital Improvement Fund.

## **Legal Consideration:**

None.

## **Financial Consideration:**

The City recommends financing the purchase with an Interfund Loan from the Landfill. The loan terms are in line with current market investment instrument returns allowed for municipalities:

- Annual Interest Rate: 1.55%
- Years: 6
- Amount: \$540,243

The 2020 CIP has a budgeted amount of \$150,000.00 to cover the first installment of a six year term.

**Options:**

The City Council has the following options:

1. Approve as presented
2. Deny
3. Approve with recommendations
4. Do nothing

**Recommendation:**

Staff recommends approval.

**Action Requested:**

Approve the Resolution authorizing an Interfund Loan from the Landfill Fund to the Fire Department to be used for the purchase of a 2020 Fire Engine.

**Supporting Documentation:**

1. Resolution