

CITY COUNCIL AGENDA BILL

City of Black Diamond
Post Office Box 599
Black Diamond, WA 98010

ITEM INFORMATION		
SUBJECT: Ordinance approving an Interfund loan from the Sewer Capital & Reserve Fund to the Equipment Replacement for replacement of four Police Vehicles in 2017.	Agenda Date: November 17, 2016	
	AB16-071	
	Mayor Carol Benson	
	City Administrator	
	City Attorney David Linehan	
	City Clerk – Brenda L. Martinez	
	Com Dev/Nat Res –	
	Finance – May Miller	X
	MDRT/Ec Dev – Andy Williamson	
	Police – Chief Kiblinger	
Public Works – Seth Boettcher		
Court – Stephanie Metcalf		
Cost Impact (see also Fiscal Note): \$179,000		
Fund Source: --Sewer Loan & Eq Repl C&I Bal		
Timeline: 2017		
Agenda Placement: <input checked="" type="checkbox"/> Mayor <input checked="" type="checkbox"/> Two Councilmembers <input type="checkbox"/> Committee Chair <input type="checkbox"/> City Administrator		
Attachments: Proposed Ordinance; Fleet Update; CIP Page		
SUMMARY STATEMENT: <p>Councilmembers Deady and Edelman have placed this item on the agenda.</p> <p>The Police Department set scheduled Vehicle replacement, but replacement has been deferred due to budget constraints. Passing this Ordinance approving an interfund loan from the Sewer Capital and Operating Fund to the Equipment Replacement Fund will allow the Police Department to meet the deadline of ordering in December in order to receive the Vehicles in 2017. This will be a cost savings to the city as the repair bill have been increasing monthly, and will also assure our officers that they have reliable vehicles.</p> <p>There are no outstanding Interfund Loans as they have all been paid in full. The Sewer Capital and Operating fund will benefit by receiving the interest on the repayment over the next five years.</p> <p>FISCAL NOTE (Finance Department): The Interfund Loan for \$160,000 will be combined with the revenue in the Equipment Replacement fund from sale of surplus vehicles, and carry over Cash and Investment balance. Total cost of the outfitted vehicles is expected to be approximately \$179,000 and that amount is included in the 2017 Preliminary Budget. Timing of approval of this Ordinance is critical for placement of orders in December 2016 in order for them to be delivered in early 2017.</p>		
COUNCIL COMMITTEE REVIEW AND RECOMMENDATION:		

RECOMMENDED ACTION: **MOTION** to approve Ordinance No. 16-XXX (*number assigned by Clerk at adoption*) an interfund loan from the Sewer Capital & Reserve Fund to the Equipment Replacement Fund for replacement of four Police Vehicles in 2017.

RECORD OF COUNCIL ACTION

<i>Meeting Date</i>	<i>Action</i>	<i>Vote</i>
November 17, 2016		

ORDINANCE NO. 16-XXXX

**A ORDINANCE OF THE CITY OF BLACK DIAMOND, WASHINGTON,
PROVIDING FOR AN INTERFUND LOAN FROM THE SEWER
CAPITAL AND RESERVE FUND TO THE EQUIPMENT
REPLACEMENT FUND TO PROVIDE FUNDING FOR THE
REPLACEMENT OF FOUR POLICE VEHICLES IN 2017; PROVIDING
FOR REPAYMENT; AND PROVIDING FOR TERMINATION**

WHEREAS, in 2006 the City of Black Diamond established a cycle to replace vehicles on a scheduled basis but due to budget constraints were not able to follow the scheduled replacement for over four years; and

WHEREAS, the Police Department has identified the need to replace four police vehicles in 2017, several vehicles with over 120,000 miles and currently having costly repair bills; and

WHEREAS, replacement of the four police vehicles in January 2017 will provide police officers with reliable vehicles in order to respond to emergencies and will save the city money currently being spent in costly repair bills and significant staff time transporting these vehicles; and

WHEREAS, the City included the cost of the four police replacement vehicles in the 2017-2022 Capital Improvement Plan (item L-2) and in the 2017 Preliminary Budget, and

WHEREAS, from the time of order to the time of delivery of the vehicles is estimated between 90 to 120 days; and

WHEREAS, the Equipment Replacement Fund for police lacks sufficient cash to pay for four police vehicles in 2017 due to previous budget constraints; and

WHEREAS, the City has determined that the combination of transaction costs plus interest for the City to issue commercial paper or a note to a third party will exceed the costs of an interfund loan, primarily because an interfund loan entails no third-party transaction costs; and

WHEREAS, the use of an interfund loan also saves money from the lower interest rates of the Washington Investment Pool (LGIP) compared to commercial rates; and

WHEREAS, the City Council finds that it has exercised due regard for the expense of the Sewer Capital and Reserve Fund and finds that the Sewer connection charges and miscellaneous Sewer Capital Revenues, cash and investment balances and interfund loan repayments are expected to be more than sufficient to cover the cash flow needs of the Sewer Capital and Reserve Fund for the next five years and thus has funds available to make the interfund loan authorized herein; and

WHEREAS, the Sewer Capital Reserve Fund of the Sewer Utility will be benefited by the

interest rates of the interfund loan; and

WHEREAS, the Equipment Replacement Fund will utilize police equipment replacement cash and investment balance, Revenue from sale of surplus Police vehicles, and revenue designated from a portion of the city's Real Estate Excise Tax each year to make the annual debt and interest payments until the loan is paid in full; and

WHEREAS, the 2016 Cash BARS Manual, chapter 4, section 3.9.1.20 Interfund Activities – Loans, states that "the legislative body of a local Government must, by ordinance or resolution, approve all interfund loans, indicating the lending fund and borrowing funds, and provide in the authorization a planned schedule of repayment of the loan principal as well as setting a reasonable rate of interest (based on the external rate available to the local government) to be paid to the lending fund. The planned schedule of repayment should specify the due date(s) of payment(s) needed to repay the principal and interest on the loan."; and

WHEREAS, the City Council desires to authorize an interfund loan in January 2017 from the Sewer Capital Reserve Fund to the Equipment Replacement Fund in an amount not to exceed \$160,000 to be repaid in five equal payments beginning in December 2018 and continuing each December thereafter until the loan is paid on or before the 31st day of December, 2022 and at an external interest rate as is available to the City through the Washington State Local Government Investment Pool;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BLACK DIAMOND, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Loan Authorization. The City's Director of Finance is authorized, on and after the 1st day of January, 2017, to record a loan of \$160,000 from the Sewer Capital and Reserve Fund to the Equipment Replacement Fund for the replacement of four aged police vehicles;

Section 2. Scheduled Repayment. The Director of Finance shall cause any and all outstanding balance of the said interfund loan to be repaid to the Sewer Capital Reserve Fund by the Equipment Replacement Fund in accordance with the schedule herein and in no event later than the 31st day of December, 2022, and this interfund lending authorization shall terminate on that date. The Interfund loan will be repaid in five equal annual payments, with each payment due in December of each year. The first payment shall be due in December 2018.

Section 3. Interest Payable to Sewer Capital & Reserve Fund. The interest shall be paid annually based on Washington State Investment Pool (LGIP) rates on the annual outstanding balance. The City Council finds that the interest rate set forth herein is reasonable and in the best interest of the City and its ratepayers.

Section 4. No Fees or Prepayment Penalties. Prepayments shall be permissible in the discretion of the Director of Finance, and there shall be no fees or prepayment penalties on interfund loans and, subject to the **\$160,000** overall principal limit on outstanding balance as stated in Section 1, there shall be no advance notice required for any additional interfund draw or prepayment.

Section 5. Accounting Records. The Director of Finance is authorized and directed to keep and maintain appropriate accounting records to reflect the balance of the interfund loans affected by the transaction authorized herein.

PASSED BY THE CITY COUNCIL AT A REGULAR MEETING THEREOF ON THE 17TH DAY OF NOVEMBER, 2016.

CITY OF BLACK DIAMOND

Carol Benson, Mayor

ATTEST/AUTHENTICATED:

Brenda L. Martinez, City Clerk

Approved as to form:

David Linehan,
Kenyon Disend, PLLC
City Attorney

Filed with the City Clerk:
Passed by the City Council:
Date Posted:
Ordinance No 16-XXXX



2016 Vehicle Fleet Update

June 28th, 2016-
(updated Oct. 2016)

Submitted by Chief Kiblinger

Current Vehicles

- 2006 Ford Crown Victoria (Pool Car)
- 2007 Dodge Charger (Lynch)
- 2007 Dodge Charger (Martinez)
- 2008 Dodge Charger (Riepl)
- 2008 Chev. Impala (Pool)
- 2008 Chev. Impala (Kiblinger)
- 2009 Dodge Charger (Macdonald)
- 2009 Dodge Charger (Girias)
- 2011 Chev. Tahoe (Tapec)
- 2012 Chev. Tahoe (Chatterson)

In 2006, the City of Black Diamond established a cycle to replace vehicles on a scheduled basis. The city kept pace with the program, replacing the vehicles around the 5- 6 year mark or 100,000 miles. Since 2012, the following has occurred.

- Due to budget constraints, the City has omitted the replacement of any vehicles for the past 4 years.
- The police department has continued during this time to repair and renovate their existing vehicles and postpone the needed replacement to help solve budgeting problems.
- The budgeting process so far has involved estimating when a vehicle will need to be replaced, both currently and into the future, and including this replacement schedule in the city's capital improvement plan where we plan for and pay for capital asset items. This list is updated every year.

Not keeping pace with this program has led to excessive mileage on vehicles, which in turn has led to excessive maintenance/repair costs, as well as significant down time for the vehicles and for the officers. Officer safety is compromised when vehicles are unsafe to drive or are unreliable as an emergency vehicle; two of them being towed from calls during the last 6 months.

Replacement

Replacing a vehicle either too soon or too late, wastes money. Our goal is to analyze the costs associated with a vehicle and identifying the point when, on average, a vehicle is reasonably depreciated but not yet incurring significant maintenance costs. By replacing vehicles at this point, we can avoid escalating maintenance costs and optimize vehicle resale value. The three criteria that we consider when establishing the vehicle replacement schedule; vehicle mileage, age and use. Unfortunately over the last few years, we have not been able to replace vehicles as needed or scheduled due to budget issues.

Our goal is to provide a fiscally responsible vehicle replacement policy that will enable the City of Black Diamond to maximize vehicle utilization while maintaining a reliable fleet and provide for appropriate budgeting and planning into the future. This is a living document that will be modified and updated to reflect changes in our City's organizational climate, the changing needs, and changes in the automotive and equipment industry.

Our goal is to be good stewards of our citizen's money while providing safe and reliable vehicles for our officers in order to respond to calls for service.

Vehicle Maintenance and Repair



The Department currently utilizes Valley Automotive for our vehicle fleet maintenance and repairs. Firestone is also used for replacement of tires and related issues.

*****PLEASE SEE ATTACHED OUTLINE OF CURRENT MAINTENANCE-REPAIR COSTS ASSOCIATED WITH EACH VEHICLE**

CURRENT REPLACEMENT SCHEDULE

Yearly Mileage Est	2016	2017	2018	2019	2020	2021	2022
30 -Chatt	67,717	80,915	94,114	Replace	13,199	26,398	39,596
22-Lynch	121,854	Replace	10,618	21,236	31,854	42,472	53,090
24- Girias	73,597	80,396	87,195	93,994	100,793	Replace	6,799
23- Mart	96,500	103,000	Replace	6,500	13,000	19,500	26,000
27- Riepl	120,179	Replace	12,746	25,492	38,237	50,983	63,728
28- MacD	119,386	Replace	15,000	30,000	45,000	60,000	75,000
26- Kib	45,000	Replace-move to pool					
21-Pool	64,804						
25-Pool	82,858	93,858	104,858	111,585	Replace		
29-Tapec	88,005	101,637	115,270	Replace	13,633	27,266	40,898
					New Car-Officer		

****When reviewing the current replacement schedule it is important to note that this schedule only estimates one new vehicle that would need to be purchased if and when a new officer position is filled/hired.

HOW DO WE COMPARE LOCALLY??

Department	Year/ Mileage
Normandy Park	5 yrs/ 90,000
Medina	4-5/ 100,000
Issaquah	4 /65-70,000
Duvall	5 yrs/ 100,000
Pacific	5-6/ 80,000
Mercer Island	5 yrs

VEHICLE AND PURCHASE PRICE OPTIONS

The goal of our department is obtain the lowest possible price and the highest possible quality. We historically and currently purchase through the Washington State Requisition Site (state bid program). Below are the vehicles available and their BASE price only. They do not include the outfitting of the vehicle; equipment, cage, lights, siren, paint, graphics etc.

2017 Ford Police Interceptor Sedan, Front-Wheel Drive	2017	Ford	Columbia Ford	\$22,897.00
2016 Chevrolet Impala	2016	Chevrolet	Bud Clary Chevrolet	\$21,638.00
2016 Chevrolet Tahoe Police Pursuit Vehicle	2016	Chevrolet	Bud Clary Chevrolet	\$35,918.43
2016 Charger Police RWD	2016	Dodge	Dwayne Lane's Chrysler Jeep Dodge	\$22,865.00
2016 Ford Police Interceptor Utility/SUV AWD	2016	Ford	Columbia Ford	\$26,587.00
2015 Chevrolet Caprice	2015	Chevrolet	Bud Clary Chevrolet	\$26,030.00
2015 Charger Police RWD	2015	Dodge	Dwayne Lane's Chrysler Jeep Dodge	\$23,985.00
2014 Charger Police RWD	2014	Dodge	Dwayne Lane's Chrysler Jeep Dodge	\$22,740.00

Taking in to account numerous factors such as initial cost, reliability, fuel/mileage costs, interior room, storage, and safety, the Ford Interceptor AWD would be the best option for our department.



PURCHASE VS. FINANCED OPTION

The police department worked with our finance department to provide three options for the purchase of our patrol vehicles. The numbers below are assuming the purchase of 4 patrol cars.

Option #1 = PURCHASE

Option #2 = inter- fund loan from our city sewer (5 years)

Option #3 = WA. State lease/loan program (5 years)

#1 (PURCHASE)

The first option is to purchase the vehicle(s) off of the WA. State bid/contract. The approximate cost to purchase and outfit one patrol car is just under \$40,000.

#2 (INTERNAL LOAN THROUGH THE CITY'S SEWER FUND)

This loan would be through the city's sewer fund. At an interest rate of .05% over a 5 year term, we would be paying approximately \$2,400 in total interest over the life of the loan. Our yearly payment would be an estimated \$32,481.60.

#3 LOAN OPTION THROUGH WA. STATE

This option is similar to the internal loan, except it is through the State of Washington. The estimated interest is 1.32% with a total yearly payment of \$33,278.20; only slightly higher than the city's internal loan. Our finance department advised that this type of loan takes a significant amount of time and preparation every year and has numerous steps for pre-approval and a long timeline.

FUTURE PROJECTION

After reviewing this replacement program with finance, it was suggested that an initial purchase of 4 patrol cars be made using option #2, internal loan through the city's sewer fund. This is due to the fact that in 2017, 5 of our vehicles will be at or significantly over 100,000 miles. Also, as noted above, this does not take into account any new vehicle purchases that would result from hiring any new officers or filling our frozen positions.

Patrol Car Replacement Plan

DESCRIPTION

The City has created and maintained a vehicle replacement plan with planned expenditures for patrol cars in an effort to replace aging patrol cars before becoming too expensive to maintain and to assure officer safety.

BACKGROUND

This rotation plan will allow the force to spend more time on the street and less time delivering them for repairs and maintenance. This plan will allow for replacement roughly every 110,000 miles.

CAPITAL PROJECT COSTS	Total \$ 2017 -2022	2017	2018	2019	2020	2021	2022
Capital Outlay	320,000	160,000		120,000			40,000
TOTAL COSTS	320,000	160,000		120,000			40,000
REQUESTED FUNDING							
REET 1	40,000						40,000
Internal Loan Program	280,000	160,000		120,000			
TOTAL SOURCES	320,000	160,000		120,000			40,000
Internal Loan Program							
At 1/2% for 5 years (REET1)	235,267		32,480	32,480	56,769	56,769	56,769

