

MEETING DATE/TYPE: VOTING MEETING 3-10-20

DEPARTMENT: Finance

AGENDA ITEM: Adoption of Resolution No. 2020-1736 Authorizing the Funding of Solid Waste Fund Capital Needs Through Internal Loans.

Approved By: Michael Lamar, City Manager

Item Summary

This Resolution authorizes the Finance Director to use internal loans to fund the capital needs of the Solid Waste Enterprise Fund for FY20 through FY24 for a term of five years at a rate of 3%. These internal loans will be paid through the Solid Waste user fees.

Background

The Solid Waste rate study, which was completed February 12, 2019, identified vehicle replacements and other capital needs that would be funded through five year capital lease financing. Following are the amounts and year of purchase identified in the study:

FY2020	\$ 1,287,000
FY2021	942,000
FY2022	553,500
FY2023	674,000
FY2024	680,000

The actual dollar value will vary and be identified each year during the budget process. Current conditions would allow the City to obtain five year capital leases at around 3% interest. Repayment of these financings were included in the rate study and the rates adopted by Council.

The City pools its cash from all funds for investments. These investments are held in various term options to maximize yield. With the current market rate environment these options range from 0.8% to 1.5%. Since the financing identified in the rate study is relatively short, five years, it will be more financially advantageous to the City to make five year loans through an internal loan from the City's pooled investments than to pay the higher rate to the loaning bank.

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The City's investment policy does allow for internal loans between funds for longer than a year if approved by Council. The attached Resolution authorizes the Finance Director to fund the needed capital in the Solid Waste Enterprise fund through five year internal loans at a rate of 3%. The actual amount of borrowing will be identified each year as part of the budget process.

Financial Impact

By funding these needs through an internal loan, the City will keep the higher earnings rate financing cost as opposed to the lower earning options available. This financing will not impact the needed cash flow from the City's investment pool.

Attachments

1. Resolution 2020-1736 for Internal Financing

Recommended Action: MOVE to adopt Resolution No. 2020-1736