

TO: Mayor and City Council
FROM: David Chanski, City Administrator/Clerk
RE: Fire District CIP
DATE: June 5, 2023



Background

The Pequot Lakes Fire District Joint Powers Board has been actively working on a Capital Improvement Plan (CIP) for the District. In a special meeting on May 17, the Board voted unanimously to send the attached draft CIP to the Breezy Point City Council and Pequot Lakes City Council for discussion prior to the Joint Powers Board preparing and finalizing the District's 2024, which will be done in July.

Purpose a Capital Improvement Plan

Capital Improvement Plans are designed to provide an entity a plan for replacing significant assets. By maintaining a CIP, an entity can annualize the cost for replacing assets in a way that allows for costs to be fixed over a designated period of time. This results in superior financial management while keeping important assets on a timely replacement schedule.

Without implementing a CIP, entities often end up with constantly fluctuating replacement costs that significantly restrict operating budgets, especially as assets included in a CIP usually come with significant price tags.

The Plan

The proposed CIP covers the replacement of all the District's significant pieces of equipment. While the CIP itself is a 25-year plan, different pieces of equipment have been given different life expectancies based on manufacturer and industry recommendations as well as expected usage. For example, fire engines are listed with a life expectancy of 30 years while tenders are listed with a life expectancy of 25 years.

The life expectancy of each piece of equipment is applied to their manufacture dates and then placed on the plan accordingly. Once the replacement schedule for each piece of equipment is set over the 25 years of the plan, the total cost of the CIP comes out to \$6,242,169. Fire Chief Schwankl did identify that one tender solely exists to serve contract townships that would not be needed if the District did not contract with other entities. Therefore, that truck (an estimated \$400,000) has been separated out as a cost that would be born solely by contract entities, leaving the total cost of the CIP to be funded over 25 years between the cities of Breezy Point and Pequot Lakes at \$5,842,169.

The total cost of the proposed CIP was then divided by 25 to get an average annual cost to fund it. This came out to a total annual cost of \$233,686.78. Once this number was calculated, it was multiplied against each community's shared of the aggregate estimated market value of both cities. This calculation was used as it seemed the most fair way to allocate the cost burden proportionately to each community.

Breezy Point's CIP, General Operating, and Relief Association Contributions

Using the calculation described above and applying the 2022 (payable 2023) estimated market value (EMV) as determined by the Crow Wing County Assessor, the City of Breezy Point's estimated annual cost burden of the proposed CIP is \$154,233.27.

Adding an estimated general operating contribution of \$87,778.35 and a Fire Relief Association contribution of \$14,644.00, Breezy Point's total estimated 2024 Fire District contribution comes out to 256,655.62, which is a 73.4% increase over 2023's contribution of \$147,973.88.

Council Discussion

These numbers are by no means finalized as the Joint Powers Board has yet to have formal discussion on the 2024 operating budget and final 2023 (payable 2024) EMVs will not be available until late summer/early fall. The purpose of this presentation is to inform the City Council as to the work the Joint Powers Board has done and get comments from the Council ahead of the Board preparing the 2024 Fire District budget.