

Diane,

An internal service fund for equipment rental should be set up to have funds and departments contribute their proportionate share of expenses for their vehicles and equipment. A local government should have a schedule with all equipment and vehicles in the equipment rental fund. This schedule should contain the useful life of each asset and what the replacement cost will be. Each year, each department and fund should be contributing their share of funds attributed to the future replacement of their equipment. Funds and departments should also be charged for any maintenance and fuel costs directly associated with equipment and vehicles that belong to a fund or department. The city should be able to demonstrate with its schedule that specific vehicles (such as a utility vector machine) were paid solely using utility funds.

Regards,

Eric

From: d.buckshnis@comcast.net <d.buckshnis@comcast.net>

Sent: Friday, October 3, 2025 11:13 AM

To: Eric J. Lowell <elowell@mrsc.org>

Cc: James Ogonowski <james.m.ogonowski@hotmail.com>

Subject: RE: Internal Service Fund Requirements

Good Morning Eric

Again, I appreciate all your prompt comments.

Yes I thought of the aspect of enterprise funds; but clearly that \$1.5M was moved from the equipment rental fund (511) to the 001 (GF) without approval or knowledge of Council; so that transaction was plain wrong and did not follow the amendment policy. But it did identify a practice that this municipal CPA thought was okay and auditors did not write it up. Of course, it may not have been part of the Auditors scope but it was significant enough to appear in the comprehensive financial reports as a footnote.

But, think about it, the funds are co-mingled over years of time and when large utility vector machines are bought – which we bought two – it was paid for from this co-mingled fund without specifying that it came from the enterprise fund portion of the account – so it makes this issue even more confusing. Maybe this would be an MRSC item to review as I don't think this Rental Fund (511) has that specificity of payments made by each department.

Again, appreciate your knowledge and guidance,

Diane

From: Eric J. Lowell <elowell@mrsc.org>
Sent: Friday, October 3, 2025 10:41 AM
To: d.buckshnis@comcast.net
Subject: RE: Internal Service Fund Requirements

Diane,

I would not be able to speak as to whether the funds could be moved without council approval. That would depend on whether there was budget capacity and city policy regarding transfers. I recommend reviewing city policy and discussing this matter with the city attorney.

One thing to consider, is that while I could see an instance where money could be transferred back to the general fund, those funds could not be funds that were originally contributed to the equipment rental fund by utility funds or other restricted funds.

Regards,

Eric

From: d.buckshnis@comcast.net <d.buckshnis@comcast.net>
Sent: Friday, October 3, 2025 9:06 AM
To: Eric J. Lowell <elowell@mrsc.org>
Subject: RE: Internal Service Fund Requirements

Good Morning Eric,

Thank you! This helps clarify a lot and what I suspected as during my tenure on Council as we did establish the technology fund.

Now, the next question, becomes, the City, without the approval of Council, moved \$1.5M from the equipment rental fund to the general fund. So, while the equipment fund is required, can the City transfer to the general fund? I know that in 2010, with the approval of Council, the City did move \$500K from the equipment rental fund to the General Fund and I did not contact MRSC since it was approved via an amendment process.

Thanks for your QUICK response. We are in the midst of serious general fund issues in Edmonds.

Diane

From: Eric J. Lowell <elowell@mrsc.org>
Sent: Friday, October 3, 2025 8:43 AM
To: d.buckshnis@comcast.net
Subject: Internal Service Fund Requirements

Diane,

Good morning. Thank you for your inquiry regarding internal service funds. All cities over 8,000 in population are required to have a separate equipment rental fund under RCW [35.21.088](#) which states:

“Every city having a population of more than eight thousand, according to the last official census, ***shall establish*** such an equipment rental fund in its street department or any other department of city government. Such fund shall acquire the equipment necessary to serve the needs of the city street department. Such fund may, in addition, be created to service any other departments of city government or other governmental agencies as authorized hereinabove.”
[emphasis added]

Local governments are not required to have any other internal service funds such as information technology.

Let me know if you have further questions concerning this inquiry.

Regards,
Eric Lowell
Finance Consultant
206.625.1300 x105

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