

AGENDA ITEM SUMMARY

March 17, 2015

City Council

STAFF

Gerry Paul, Director of Purchasing & Risk Management

SUBJECT

Resolution 2015-034 Authorizing the Purchasing Agent to Lease Additional Vehicles and Equipment Under the City's Standard Master Lease Agreement with Pinnacle Public Financing, Inc.

EXECUTIVE SUMMARY

The purpose of this item is to request approval of the lease-purchase of vehicles and equipment for the cost of \$2,239,424 under the City's Master Lease Agreement with Pinnacle Public Finance and the "First Amendment" to that Agreement (jointly, the "Agreement"). Quarterly Payments of \$118,398 at the 2.15% interest rate will not exceed \$236,796 in 2015. Money for 2015 lease-purchase payments is included and appropriated in the 2015 budget. A competitive process was used to select Pinnacle Public Finance for this Agreement. A 2015 Finance Department analysis of current and historical equipment lease financing arrangements showed that lease-purchase is in the best interest of the City given the interest rate offered for the lease. Staff believes acceptance of this lease rate is in the City's best interest.

STAFF RECOMMENDATION

Staff recommends adoption of the Resolution.

BACKGROUND / DISCUSSION

This Resolution authorizes the Purchasing Agent to enter into a lease-purchase transaction with Pinnacle Public Finance ("Pinnacle") at 2.15% interest rate under a new "Schedule of Equipment". The Agreement is for an original term from the execution date of the Agreement to the end of fiscal year 2015. The Agreement provides for renewable one-year terms thereafter, to a total term of five years, subject to annual appropriation of funds needed for lease payments. The total lease terms, including the original and all renewal terms, will not exceed the useful life of the property. Each of the items acquired through this transaction has a useful life longer than five years. This lease-purchase financing is consistent with the financial policies of the City of Fort Collins.

All equipment shall be leased-purchased following the City's purchasing ordinances and procedures to ensure that the cost to the City is fair and reasonable as determined by a competitive purchasing process.

The vehicles and equipment financed under the Agreement will comply with applicable City policies, and will be in accordance with the goal of optimizing City resources without impacting service to the community.

An "Equipment Request" justifying the replacement of each vehicle or piece of fleet equipment is on file with Fleet Services. The fleet manager has researched each request, and approved them based on current and projected maintenance costs, fuel economy, downtime, and relevant safety factors. Other equipment purchases have been approved in accordance with departmental procedures.

CITY FINANCIAL IMPACTS

Lease-Purchase: The City's lease-purchase policy provides that:

The City of Fort Collins uses lease-purchases for the provision of new and replacement equipment, vehicles and rolling stock in order to ensure the timely replacement of equipment and vehicles. This method may also be used to acquire real property. Members of the management staff have developed an equipment needs schedule for rolling stock which encompasses the demands of operating departments. This schedule is used to project equipment needs for each budget year.

The type of lease that the City uses is termed a lease-purchase agreement. With each rental payment the City builds equity and assumes risk in the asset over the term of the lease. The annual installments are subject to appropriation by the Council each year.

Advantages of a lease-purchase over a cash purchase are:

- Decreasing the impact of inflation on the purchase of new and replacement equipment.
- Resolving the problem of capital replacement needs backlog.
- Conserving operating reserves.
- Reducing the initial impact of the cost to user departments by enabling costs to be spread over the useful life of the equipment.
- Safeguarding the opportunity to use cash assets to earn higher interest than the interest cost of lease-purchasing.

A 2015 Finance Department analysis of current and historical equipment lease financing arrangements showed that lease-purchase is in the best interest of the City given the interest rate offered for the lease and projected investment rate.

According to C.R.S. Section 29-1-103, local governments are required to identify as part of their budgets: (1) the total expenditures during the ensuing fiscal year for all lease purchase agreements involving real and personal property; and (2) the total maximum payment liability under all lease purchase agreements over the entire terms of the agreements, including all optional renewal terms.

Staff recognizes that the State does not include lease-purchase in the legal definition of debt; however, rating agencies include lease-purchases in calculating the City's debt burden.

The proposed Resolution authorizes the lease-purchase financing of the following under the Agreement.

Description	Quantity	Cost
Golf - New and Replacements		
Toro tee mower	1	28,689.00
Club Carryall electric	1	9,048.00
Toro Top Dresser	1	11,719.00
Toro Workman HDX-D Utility Vehicle	1	21,260.00
Branson tractor	1	24,500.00
Toro Fairway mower	1	54,481.00
Golf Fund Total:		149,697.00
Traffic - Replacements		
Small SUV	1	19,800.00
Cab/Chassis for Bucket Truck	1	37,000.00
Body for Bucket Truck	1	82,000.00
Skid Steer Loader	1	45,100.00
Trailer - 12,000lb	1	11,000.00
	Traffic Total:	194,900.00
Transportation Fund Total:		194,900.00

Parks - Replacement Vehicles		
Small Pick-up truck - 4x2	3	60,000.00
Small Pick-up truck - 4x4	1	27,000.00
3/4 ton Pickup Truck	2	52,000.00
small snowplow	2	10,000.00
Gang Mower	1	85,500.00
Trim Mower	3	118,500.00
Zero Turn Mower with decks	1	14,000.00
Trailers	4	22,500.00
Parks Total:		389,500.00
Forestry - Replacement Vehicle		
1/2 ton Pick-up truck - 2WD	1	21,700.00
Cab/chassis	1	85,000.00
Grapple & body	1	78,800.00
Chipper	1	68,827.00
Stump Grinder	1	16,700.00
Forestry Total:		271,027.00
Operation Services - Replacement Vehicle		
3/4 ton Cargo Van	1	40,000.00
Small Pickup	1	20,000.00
equipment package	1 lot	5,000.00
Operations Services Total:		65,000.00
Police Patrol - Replacement Vehicles		
Ford Utility Police Interceptor AWD	20	548,000.00
Patrol vehicle equipment	20	173,000.00
Patrol vehicle equip. - Vinyl wrap	19	12,500.00
Ram 1500 SSV K9	1	28,200.00
Patrol vehicle equipment	1	12,900.00
1 ton Crew Cab 4x4 truck	1	36,800.00
Patrol vehicle equipment	1 lot	18,000.00
Large size SUV	1	37,500.00
Patrol vehicle equipment	1 lot	4,500.00
Medium size SUV	1	25,700.00
Patrol vehicle equipment	1 lot	4,500.00
Patrol Vehicle Total:		901,600.00
Investigations - Replacement Vehicle		
Small Pickup truck 4x2	1	21,700.00
Hybrid sedan	1	24,000.00
Medium size SUV	1	37,000.00
Investigation vehicle equipment	1 lot	5,000.00
1/2 ton Pick-up truck 4wd	1	32,300.00
Investigation vehicle equipment	1 lot	7,500.00
1/2 ton Pick-up truck 4wd	1	33,100.00
Investigation vehicle equipment	1 lot	7,500.00
Electric vehicle	1	25,000.00
Commuter Van	1	30,800.00
Investigation Vehicle Total:		223,900.00
Equipment Fund Total:		1,851,027.00
Police Patrol - Traffic - Replacement Vehicle		
Ford Utility Police Interceptor AWD	1	30,300.00
Patrol vehicle equipment	1	13,500.00
Patrol - Traffic Vehicle Total:		43,800.00

General Fund Total:		1,894,827.00
Lease Total:		2,239,424.00

Departments have appropriately justified the purchase of all new and replacement vehicles and equipment.

ENVIRONMENTAL IMPACTS

Due to improvements in emissions and engine technology, new vehicles and equipment will use less fuel and produce fewer emissions than the units being replaced. These vehicles are as fuel efficient as can be provided pursuant to the needs of patrol.

RESOLUTION 2015-034
OF THE COUNCIL OF THE CITY OF FORT COLLINS
AUTHORIZING THE PURCHASING AGENT TO LEASE ADDITIONAL
VEHICLES AND EQUIPMENT UNDER THE CITY'S STANDARD
MASTER LEASE AGREEMENT WITH PINNACLE PUBLIC FINANCING, INC.

WHEREAS, the City of Fort Collins (the "City") and Pinnacle Public Finance, Inc. ("Pinnacle") have previously entered into that certain "Standard Master Lease Agreement" dated February 15, 2011, (the "Agreement"); and

WHEREAS, the Agreement provides that Pinnacle will lease to the City certain "Equipment" as generally described in Section 1.1 of the Agreement and as specifically described in each "Schedule of Equipment" that is agreed to in the future and added to the Agreement as Exhibit A by the City and Pinnacle (collectively, the "Equipment"); and

WHEREAS, the Agreement contemplates an initial term of one year, with up to four additional one-year terms, not to exceed a total of five years; and

WHEREAS, Article V of the Agreement grants the City the option to purchase any or all of the Equipment in accordance with the provisions of Article V of the Agreement; and

WHEREAS, the Agreement also expressly provides that all of the City's obligations under the Agreement are subject to the City Council's annual appropriation of each year's lease payments and, if such appropriation does not occur, Pinnacle's sole remedy is to repossess the Equipment; and

WHEREAS, the Purchasing Agent and Pinnacle have previously entered into that certain "First Amendment to Master Lease Agreement" approved by City Council on December 2, 2014, in Resolution 2014-108 (the "First Amendment"); and

WHEREAS, the purpose of the First Amendment was to amend certain language in Section 1.2 of the Agreement to clarify the City's and Pinnacle's original (and current) intent with respect to the language in Section 1.2 that provides that the City is to be listed as the owner on the titles of motor vehicles included in the Equipment leased under Schedule of Equipment No. 8 and that had been leased under the previous seven schedules of equipment; and

WHEREAS, that such original (and current) intent of this motor-vehicle-title language was and is not to change the lease-purchase nature of the Agreement, but solely for the purposes of establishing ownership of the leased motor vehicles for federal tax purposes, reducing Pinnacle's liability for any civil claims arising from the City's use of the motor vehicles, and for the City's administrative convenience in establishing clear title to vehicles when the City exercises its option to purchase any of them; and

WHEREAS, the Purchasing Agent has negotiated with Pinnacle the lease of additional Equipment under the Agreement as described in the "Schedule of Equipment No. 9" dated April

6, 2015, attached hereto as Exhibit “A” and incorporated herein by reference (“Schedule of Equipment No. 9”); and

WHEREAS, each piece of equipment listed in Schedule of Equipment No. 9 has a useful life of five years or longer; and

WHEREAS, the Purchasing Agent has also negotiated with Pinnacle quarterly lease payments of One Hundred Eighteen Thousand Three Hundred Ninety Seven Dollars and Eighty Three Cents (\$118,397.83) for five years for the Equipment being leased in Schedule of Equipment No. 9 as set forth in the parties’ “Payment Schedule, Equipment Schedule #9” dated April 6, 2015, (the “Payment Schedule”); and

WHEREAS, the funds needed for the City’s quarterly lease payments that will be owed to Pinnacle in 2015 for the Equipment being leased in Schedule of Equipment No. 9, have been budgeted and appropriated in the City’s 2015 annual budget that was adopted by Council on November 18, 2014; and

WHEREAS, the City is authorized in Section 8(c) of Article V of the City Charter, Article IV in Chapter 8 of the City Code, and in C.R.S. Section 31-15-801 to enter into multiple-year lease-purchase agreements provided each year’s lease payments are subject to annual appropriation; and

WHEREAS, the lease of the Equipment in Schedule of Equipment No. 9 under the Lease will not constitute a “multiple fiscal year direct or indirect debt or other obligation” of the City within the meaning of Section 20(4)(b) of Article X of the Colorado Constitution and, therefore, this lease of Equipment under Schedule of Equipment No. 9 can be entered into without voter approval; and

WHEREAS, the City Council has determined that it is in the City’s best interests to lease from Pinnacle all of the Equipment described in the Schedule of Equipment No. 9 in accordance with the terms and conditions of the Agreement; and

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. That all of the recitals set forth above in this Resolution are hereby adopted as the City Council’s findings in support of this Resolution.

Section 2. That the lease of the Equipment in Schedule of Equipment No. 9 under the Agreement (as amended in the First Amendment) and the Payment Schedule are hereby approved, and the Purchasing Agent is hereby authorized to enter into the Schedule of Equipment No. 9 and the Payment Schedule on the City’s behalf. The Purchasing Agent may agree, in consultation with the City Attorney, to modifications and amendments to Schedule of Equipment No. 9 and the Payment Schedule as may be needed to protect the City’s interests and that are consistent with the stated purposes of this Resolution.

Passed and adopted at a regular meeting of the Council of the City of Fort Collins this 17th day of March, A.D. 2015.

Mayor

ATTEST:

City Clerk

Schedule of Equipment No. 9

April 6, 2015

RE: STANDARD MASTER LEASE AGREEMENT entered into as of February 15, 2011, ("Agreement"), between Pinnacle Public Finance ("Lessor") and the City of Fort Collins, Colorado ("Lessee"). All terms used and not otherwise defined herein have the meanings ascribed to them in the Agreement.

The following items of Equipment are hereby included under this Schedule to the Agreement:

Item	Department/ Fund	Description	Qty	Cost	Term
	Golf	Toro Tee Mower	1	28,689.00	5 yrs
	Golf	Club Carryall Electric	1	9,048.00	5 yrs
	Golf	Toro Top Dresser	1	11,719.00	5 yrs
	Golf	Toro Workman Utility Vehicle	1	21,260.00	5 yrs
	Golf	Branson Tractor	1	24,500.00	5 yrs
	Golf	Toro Fairway Mower	1	54,481.00	5 yrs
	Traffic/ Transportation	Small SUV	1	19,800.00	5 yrs
	Traffic/ Transportation	Cab/Chassis for Bucket Truck	1	37,000.00	5 yrs
	Traffic/ Transportation	Body for Bucket Truck	1	82,000.00	5 yrs
	Traffic/ Transportation	Trailer – 10,000lbs	1	11,000.00	5 yrs
	Parks/ General	Small Pick-up Truck – 4x2	3	60,000.00	5 yrs
	Parks/ General	Small Pick-up Truck – 4wd	1	27,000.00	5 yrs
	Parks/ General	Snowplow Equipment	2	10,000.00	5 yrs
	Parks/ General	¼ ton Cab/Chassis	2	52,000.00	5 yrs
	Parks/ General	Zero Turn Mower with Decks	1	14,000.00	5 yrs
	Parks/ General	Gang Mower	1	85,500.00	5 yrs
	Parks/ General	Trim Mower	3	118,500.00	5 yrs
	Parks/ General	Trailers	4	22,500.00	5 yrs
	Forestry/ General	½ ton Pick-up Truck – 2wd	1	23,500.00	5 yrs
	Forestry/ General	Cab/chassis	1	85,000.00	5 yrs
	Forestry/ General	Grapple & Body	1	78,800.00	5 yrs
	Forestry/ General	Chipper	1	68,827.00	5 yrs
	Forestry/ General	Stump Grinder	1	16,700.00	5 yrs
	Operations/ General	¾ ton Cargo Van	1	40,000.00	5 yrs
	Operations/ General	Additional Equipment and Shelving	1	2,500.00	5 yrs
	Operations/ General	Small Pickup Truck	1	20,000.00	5 yrs
	Police/ General	Replacement - Ford Police Interceptor AWD	20	548,000.00	5 yrs
	Police/ General	Police Vehicle Equipment	1 lot	173,000.00	5 yrs
	Police/ General	Police Vehicle Equipment	1 lot	12,500.00	5 yrs
	Police/ General	Ram 1500 SSV	1	28,200.00	5 yrs
	Police/ General	Police Vehicle Equipment	1 lot	12,900.00	5 yrs
	Police/ General	1 ton Crew Cab Pick-up Truck	1	36,800.00	5 yrs
	Police/ General	Police Vehicle Equipment	1 lot	18,000.00	5 yrs
	Police/ General	Large size SUV	1	37,500.00	5 yrs

	Police/ General	Police Vehicle Equipment	1 lot	4,500.00	5 yrs
	Police/ General	Medium size SUV	1	25,700.00	5 yrs
	Police/ General	Police Vehicle Equipment	1 lot	4,500.00	5 yrs
	Police Investigations/ General	Small Pickup Truck	1	21,700.00	5 yrs
	Police Investigations/ General	Hybrid Sedan	1	24,000.00	5 yrs
	Police Investigations/ General	Medium size SUV	1	37,000.00	5 yrs
	Police Investigations/ General	Investigation Vehicle Equipment	1 lot	5,000.00	5 yrs
	Police Investigations/ General	½ ton Pickup Truck	2	65,400.00	5 yrs
	Police Investigations/ General	Investigation Vehicle Equipment	1 lot	15,000.00	5 yrs
	Police Investigations/ General	Electric Vehicle	1	25,000.00	5 yrs
	Police Investigations/ General	Commuter Van	1	30,800.00	5 yrs
	Police/ General	Traffic Replacement - Ford Police Interceptor AWD	1	26,670.00	5 yrs
	Police/ General	Traffic Replacement - Police Vehicle Equipment	1 lot	9,300.00	5 yrs
			Total:	2,239,424.00	5 yrs

Lessee hereby represents, warrants and covenants that its representations, warranties and covenants set forth in the Agreement are true and correct as though made on the Commencement Date of Payments under this Schedule. **The terms and provisions of the Agreement (other than to the extent that they relate solely to other Schedules or Equipment listed on other Schedules) are hereby incorporated into this Schedule by reference and made a part hereof.**

Lessee: the City of Fort Collins, Colorado
 By 
 Gerry S. Paul
 Director of Purchasing & Risk Management

Lessor: Pinnacle Public Finance

By 
 Name Michael Krahenbuhl
 Vice President

Title _____

Date: 3/4/2015

Date: 3/4/2015