

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 14

DATE: November 2, 1999

STAFF: Jim O'Neill

SUBJECT:

First Reading of Ordinance No. 153, 1999, Authorizing the Purchasing Agent to Enter into an Agreement for the Lease-Purchase of Vehicles and Equipment and Appropriating Funds Related Thereto.

RECOMMENDATION:

Staff recommends adoption of the Ordinance on First Reading.

FINANCIAL IMPACT:

The cost of the items to be lease-purchased is \$1,997,520. Payments at the 5.25% interest rate will not exceed \$469,537.84 in 2000. Money for the first year lease-purchase payments is included in the City Manager's 2000 recommended budget. The effect of the debt position for the purpose of financial rating of the City will be to raise the total City debt by .4%. This lease is based on a lease placed with Safeco Credit Company on May 1, 1998 and carries a lower interest rate than that lease. Staff believes acceptance of this interest rate is in the City's best interest.

EXECUTIVE SUMMARY:

This Ordinance will authorize the Purchasing Agent to enter into a lease-purchase financing agreement with Safeco Credit Company at 5.25 percent interest rate. The agreement shall be for an original term from the execution date of the agreements to the end of the current fiscal year. The agreement shall provide for renewable one-year terms thereafter, to a total term of five (5) 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. This lease-purchase financing is consistent with the financial policies of the City of Fort Collins.

BACKGROUND:

All equipment has been purchased following the City's purchasing ordinances and procedures to ensure that the City realizes all cost savings.

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 and related equipment or other rolling stock 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. All vehicles, rolling stock and other equipment has been purchased following the City's purchasing ordinances and procedures to ensure that the City realizes all cost savings.

Lease-Purchase:

The City's lease-purchase policy provides that:

The City of Fort Collins uses lease-purchase 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 conditional sales lease. 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.

It should be noted that the City is able to discontinue the equipment leases so that future City Councils will have the option to continue or discontinue the policy of lease-purchasing City equipment.

According to the State of Colorado House Bill 90-1164, 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 Ordinance authorizes the lease-purchase financing of the following:

Line No.	Department	Qty.	Description	Total Cost	Term (yrs)
1	Police Patrol	38	Laptop Computers	95,000	3
Total 3-year Financing				\$95,000	

Line No.	Department	Qty.	Description	Total Cost	Term (yrs)
1	Water Production	1	CO2 Storage Tanks & Related Equipment	333,700	5
2	Police SIU	1	Dodge Durango	24,668	5
3	Police SIU	1	Dodge Intrepid Staff Car	15,032	5
4	Police SIU	1	Grand Prix	19,375	5
5	Police Patrol	38	Patrol Vehicles	862,115	5
7	Police Patrol	1 lot	Police Patrol Vehicle Equipment	182,110	5
8	Fleet Services	2	Dodge Intrepid Staff Cars	30,064	5
9	Fleet Services	1	Dodge Durango	26,854	5
10	Fleet Services	1	Jeep Grand Cherokee	29,901	5
11	Fleet Services	1	Chevy ¾ ton, 4x4, Utility Truck	24,398	5
12	Fleet Services	1	Ford Supercab Pickup	25,741	5
13	Fleet Services	2	Midsize Pickup	32,000	5
14	Cemetery	2	Toro Turf Sweepers	23,548	5
15	Golf/City Park 9	1	Toro Groundsmaster 3000	37,300	5
16	City Park 9	1	Cushman 3 Wheel Truckster	10,000	5
17	Collindale	2	John Deere 800 Aerator	22,900	5
18	Collindale	1	Toro Workman 3200 W/Hydraulic Dump	15,200	5
19	Southridge	1	John Deere Loader/Tractor	21,350	5
20	Southridge	1	Jacobsen LF-3400 Fairway Mower	32,200	5
21	Southridge	15	Golf Carts	32,880	5
22	Transportation	1	Parking Ticket System	101,184	5
Total 5-year Financing				\$1,902,520	

Total Lease Financing \$1,997,520

ORDINANCE NO. 153, 1999
 OF THE COUNCIL OF THE CITY OF FORT COLLINS
 AUTHORIZING THE PURCHASING AGENT TO ENTER
 INTO AN AGREEMENT FOR THE
 LEASE-PURCHASE OF VEHICLES AND EQUIPMENT
 AND APPROPRIATING FUNDS RELATED THERETO

WHEREAS, the City is authorized under the provisions of Title 31, Article 15, Part 8, C.R.S., to acquire necessary equipment and other property for its governmental and proprietary purposes under the provisions of a long-term rental or leasehold agreement with an option to purchase such equipment or property and to provide for the payment of said property from any available municipal income; and

WHEREAS, the City has received a proposal from Safeco Credit Company ("Safeco") to lease equipment to the City, consisting of the following:

Line No.	Department	Qty.	Description	Total Cost	Term (yrs)
1	Police Patrol	38	Laptop Computers	95,000	3
Total 3-year Financing				\$95,000	

Line No.	Department	Qty.	Description	Total Cost	Term (yrs)
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21	Southridge	15	Golf Carts	32,880	5
22	Transportation	1	Parking Ticket System	101,184	5
Total 5-year Financing				\$1,902,520	

Total Lease Financing \$1,997,520

WHEREAS, the City Council has determined that it is in the best interest of the City to lease the above-described equipment from Safeco, which is also providing financing for the Equipment acquisition; and

WHEREAS, the City desires to enter into a lease-purchase agreement with respect to the leasing and financing of the Equipment; and

WHEREAS, the useful life of the Equipment is longer than the maximum lease-purchase term of five (5) years; and

WHEREAS, the City has determined that the lease payments to result from the proposed arrangement will require payments by the City in the sum of \$117,384.46 per quarter, and that payments in that amount are reasonable and proper and represent the fair rental value of the Equipment; and

WHEREAS, no lease payments will be required in 1999, and funds for the 2000 and 2001 payments are included in the City Manager's recommended budget for those years; and

WHEREAS, Article V, Section 9, of the Charter of the City of Fort Collins permits the Council to make supplemental appropriations by ordinance at any time during the fiscal year, provided that the total amount of such supplemental appropriations, in combination with previous appropriations for that fiscal year, does not exceed the then current estimate of actual and anticipated revenues to be received during the fiscal year.

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

Section 1. That the Purchasing Agent be, and hereby is, authorized to enter into a lease-purchase agreement for the above-described Equipment with Safeco Credit Company in accordance with the following terms and provisions:

- a. The agreement shall be for an original term from the execution date of the agreement through December 31, 1999. The agreement shall provide for renewable one-year terms thereafter up to a total term of five (5) years, subject to annual appropriation of funds needed for lease payments. The total lease terms, including the original and all renewal terms, shall not exceed the useful life of the property.
- b. The City shall make equal quarterly payments throughout the term of such agreement but subject to annual appropriation of funds needed for such payments.
- c. If the City leases the Equipment for the original term and all renewal terms, the payment to Safeco Credit Company will total the sum of the principal, \$1,997,520, plus interest at a fixed rate equal to 5.25% per year, which is a reasonable amount.

- d. The City shall have the option to purchase part or all of the Equipment on any quarterly payment date of any term. The option to purchase shall be exercised by paying the quarterly payment due on said date and the unpaid principal due after said date.
- e. If the City renews the agreement for all the renewal terms and makes all payments during said terms, the City shall be deemed to have exercised the option to purchase said Equipment.
- f. The agreement shall constitute only a current expense of the City and shall not be construed to be a debt or pledge of the City's credit or revenues.

Section 2. That the amount of ONE MILLION ONE HUNDRED AND NINETY EIGHT THOUSAND AND THREE HUNDRED DOLLARS (\$1,198,300) to be provided under the lease-purchase agreement is hereby appropriated for expenditure in the General Fund from unanticipated revenue for the acquisition of the Police equipment and vehicles described above, in accordance with the terms and provisions of the lease-purchase agreement, upon receipt thereof.

Section 3. That the amount of TWENTY THREE THOUSAND, FIVE HUNDRED AND FORTY-EIGHT DOLLARS (\$23,548) to be provided under the lease-purchase agreement is hereby appropriated for expenditure in the Cemetery Fund from unanticipated revenue for the acquisition of the Cemetery equipment described above, in accordance with the terms and provisions of the lease-purchase agreement, upon receipt thereof.

Section 4. That the amount of ONE HUNDRED SEVENTY-ONE THOUSAND, EIGHT HUNDRED AND THIRTY DOLLARS (\$171,830) to be provided under the lease-purchase agreement is hereby appropriated for expenditure in the Golf Fund from unanticipated revenue for the acquisition of the Golf/City Park 9, Collindale and Southridge vehicles and equipment described above, in accordance with the terms and provisions of the lease-purchase agreement, upon receipt thereof.

Section 5. That the amount of ONE HUNDRED AND ONE THOUSAND, ONE HUNDRED AND EIGHTY-FOUR DOLLARS (\$101,184) to be provided under the lease-purchase agreement is hereby appropriated for expenditure in the Transportation Services Fund from unanticipated revenue for the acquisition of the Transportation vehicles and equipment described above, in accordance with the terms and provisions of the lease-purchase agreement, upon receipt thereof.

Section 6. That the amount of THREE HUNDRED THIRTY THREE THOUSAND, SEVEN HUNDRED DOLLARS (\$333,700) to be provided under the lease-purchase agreement is hereby appropriated for expenditure in the Water Fund from unanticipated revenue for the acquisition of the Water Production vehicles and equipment described above, in accordance with the terms and provisions of the lease-purchase agreement, upon receipt thereof.

Section 7. That the amount of ONE HUNDRED SIXTY EIGHT THOUSAND, NINE HUNDRED AND FIFTY-EIGHT DOLLARS (\$168,958) to be provided under the lease-purchase agreement is hereby appropriated for expenditure in the Equipment Fund from unanticipated revenue

for the acquisition of the Fleet Services vehicles described above, in accordance with the terms and provisions of the lease-purchase agreement, upon receipt thereof.

Introduced, considered favorably on first reading, and ordered published this 2nd day of November, A.D. 1999, and to be presented for final passage on the 16th day of November, A.D. 1999.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading this 16th day of November, A.D. 1999.

Mayor

ATTEST:

City Clerk