

SUBJECT

First Reading of Ordinance No. 023, 2011, Authorizing the Purchasing Agent to Enter into an Agreement for the Lease-Purchase Financing of Vehicles and Equipment and Appropriating the Amount Needed for Such Purpose.

EXECUTIVE SUMMARY

This Ordinance authorizes the Purchasing Agent to enter into a lease-purchase financing agreement for vehicles and equipment with Pinnacle Public Finance at 2.60 percent interest rate. The cost of the items to be lease-purchased is \$ 1,405,001. Payments at the 2.60% interest rate will not exceed \$225,429 in 2011. Money for 2011 lease-purchase payments is included in the 2011 budget. The effect of this transaction position for the purpose of financial rating of the City will be to raise the total City debt by 2.5%. A competitive process was used to select Pinnacle Public Finance for this lease.

BACKGROUND / DISCUSSION

The agreement is for an original term from the execution date of the agreement to the end of the current fiscal year. The agreement provides 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.

All equipment shall be 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 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.

FINANCIAL / ECONOMIC IMPACTS

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 Section 29-1-103 C.R.S., 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	New / Repl.	Total Cost	Term (yrs)
1	Police Patrol	6	Crown Vic and Caprice patrol cars	New	143,760	5
2	Police Patrol	1	Pickup for traffic enforcement	New	25,002	5
3	Police Patrol	1	Chevy Tahoe patrol vehicle	New	31,667	5
4	Police Patrol	1 lot	Equipment for new vehicles	New	66,300	5
5	Police Admin	1	Ford Escape hybrid	New	28,951	5
6	Police Investigations	1	Chevy Traverse detective vehicle	New	24,768	5
7	Police Investigations	1	Ford Fusion hybrid detective	New	25,416	5
8	Police Investigations	1	Dodge 1500 detective vehicle	New	21,438	5
9	Police Investigations	1 lot	Equip. for new detective vehicles	New	5,100	5
10	City Park Nine Golf	1	Toro RM5410 Fairway Mower	Repl	43,667	5
11	SouthRidge Golf	1	Used Toro 3150 Greens Mower	Repl	10,900	5
12	SouthRidge Golf	1	Used Toro 4500D Rotary Mower	Repl	24,900	5
13	SouthRidge Golf	1	Used Jacobsen Fairway Mower	Repl	13,900	5
14	SouthRidge Golf	1	Freight for equipment delivery	n/a	2,500	5
15	Collindale Golf	1	Toro MultiPro 1250 Sprayer	New	28,125	5
16	Collindale Golf	1	Toro Groundsmaster 3500D Mower	Repl	35,285	5
17	Fleet Services	7	Crown Vic patrol cars	Repl	155,708	5
18	Fleet Services	4	Chevy Tahoe patrol vehicles	Repl	126,018	5
19	Fleet Services	1 lot	Patrol vehicle equipment	Repl	106,400	5
20	Fleet Services	1	Dodge Caravan detective vehicle	Repl	23,645	5
21	Fleet Services	1	Chevy Traverse detective vehicle	Repl	24,768	5
22	Fleet Services	1	Ford Explorer detective vehicle	Repl	26,333	5
23	Fleet Services	1 lot	Equip. for new detective vehicles	Repl	5,100	5
24	Traffic Operations	1	Chassis for cone truck	New	31,930	5
25	Traffic Operations	1	Body for cone truck	New	28,420	5
26	Streets	1	International Tandem truck & equip	Repl	225,000	5
27	Streets	1	F550 Ford truck & equip.	New	120,000	5
Total 5-year Financing					1,405,001	

Departments have appropriately justified the purchase of all new and replacement vehicles and equipment. Information on replacement units is given below. The Operations Services Director has determined that the following units meet requirements for replacement. These units are included in the financing list, above.

Department	Old unit	Age	Miles / hours	New units	Disposal of old unit	Notes
Police	Tahoe	7	52,005	Tahoe	Auction	Vehicle totaled
Police	Astro van	5	54,948	Tahoe	Auction	Vehicle totaled
Ops & Police	3-Tahoes	7-8	Over 90,000	3-Tahoes	Auction	Normal replacement
Ops & Police	7-Crown Vic	5-8	Over 90,000	7-fullsize patrol	Auction	Normal replacement
Ops & Police Inv.	Astro van	6	Over 90,000	Dodge van	Auction	Normal replacement
Police Inv.	Jeep Cherokee	6	Over 90,000	Chevy Traverse	Auction	Normal replacement
Ops & Police Inv.	Trailblazer	4	Over 90,000	Ford Escape Hybrid	Auction	Normal replacement
Golf	John Deere mower	11	3941 hrs	Used Toro mower	Auction	Unit worn out - beyond normal replacement
Golf	Toro mower	21	4340 hrs	Used Toro mower	Auction	Unit worn out - beyond normal replacement
Golf	Jacobsen mower	18	2448 hrs	Used Jacobsen mower	Auction	Normal replacement
Golf	Toro 4000D mower	13	2521 hrs	New Toro 3500D mower	Auction	Normal replacement
Golf	Toro 5400D mower	10	2971 hrs	New Toro RM5410 mower	Auction	Normal replacement
Streets	1995 IH tandem	16	120,000	IH Tandem	Auction	Condition & mileage

Note on usage: Units will accumulate additional miles/hours between now and when replacement vehicles arrive.

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.

Some of the Police vehicles are not replacing older units and represent an increase in fleet size, with a corresponding increase in fuel usage and emissions. The new officers to be added by Police were approved by Council and vehicles must be added to accommodate the increase in staffing levels. Those vehicles are as fuel efficient as can be provided pursuant to the needs of patrol and investigation officers.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

ORDINANCE NO. 023, 2011
OF THE COUNCIL OF THE CITY OF FORT COLLINS
AUTHORIZING THE PURCHASING AGENT TO ENTER
INTO AN AGREEMENT FOR THE LEASE-PURCHASE FINANCING
OF VEHICLES AND EQUIPMENT AND APPROPRIATING THE AMOUNT
NEEDED FOR SUCH PURPOSE

WHEREAS, the City has a need for and desires to provide certain property for City purposes;
and

WHEREAS, the City is authorized by Article XX of the Colorado Constitution, the City Charter and Part 8 of Article 15 of Title 31, Colorado Revised Statutes, as amended (the "Act"), to enter into rental or leasehold agreements in order to provide necessary land, buildings, equipment and other property for governmental or proprietary purposes, and such agreements may include options to purchase and acquire title to such leased or rented property; and

WHEREAS, the City has received a proposal from Pinnacle Public Finance to lease certain equipment to the City, consisting of the following:

Line No.	Department	Qty.	Description	Total Cost	Term (yrs)
1	Police Patrol	6	Crown Vic and Caprice patrol cars	\$143,760	5
2	Police Patrol	1	Pickup for traffic enforcement	25,002	5
3	Police Patrol	1	Chevy Tahoe patrol vehicle	31,667	5
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Total 5-year Financing				1,405,001	

and;

WHEREAS, the City Council has determined that it is in the best interest of the City to lease the above-described equipment from Pinnacle Public Finance, 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 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 \$75,143 per quarter, and that payments in that amount are reasonable and proper and represent the fair rental value of the Equipment; and

WHEREAS, funds for the 2011 lease payments are included in the 2011 budget; and

WHEREAS, the lease of the Equipment will not constitute a "multiple-fiscal year direct or indirect debt or other financial obligation" of the City within the meaning of Article X §20(4)(b) of the Colorado Constitution and may therefore be entered into without voter approval; 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 is hereby authorized to enter into a lease-purchase agreement for the above-described Equipment with Pinnacle Public Finance 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, 2011. 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 Pinnacle Public Finance will total the sum of the principal, \$1,405,001, plus interest at a fixed rate equal to 2.60% 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 Hundred Fifty Nine Thousand, Two Hundred and Seventy-seven Dollars (\$159,277) to be provided under the lease-purchase agreement is hereby appropriated for expenditure in the Golf Fund from unanticipated revenue in the appropriate funds for the acquisition of equipment in accordance with the terms and provisions of the lease-purchase agreement, upon receipt thereof.

Section 3. That the amount of Four Hundred Sixty-seven Thousand, Nine Hundred and Seventy-Two Dollars (\$467,972) to be provided under the lease-purchase agreement is hereby appropriated for expenditure in the Fleet Fund from unanticipated revenue in the appropriate funds for the acquisition of police vehicles and equipment in accordance with the terms and provisions of the lease-purchase agreement, upon receipt thereof.

Section 4. That the amount of Three Hundred Seventy-Two Thousand, Four Hundred and Two Dollars (\$372,402) to be provided under the lease-purchase agreement is hereby appropriated for expenditure in the General Fund from unanticipated revenue in the appropriate funds for the acquisition of police vehicles and equipment in accordance with the terms and provisions of the lease-purchase agreement, upon receipt thereof.

Section 5. That the amount of Sixty Thousand, Three Hundred and Fifty Dollars (\$60,350) to be provided under the lease-purchase agreement is hereby appropriated for expenditure in the Transportation Fund from unanticipated revenue in the appropriate funds for the acquisition

of equipment in accordance with the terms and provisions of the lease-purchase agreement, upon receipt thereof.

Section 6. That the amount of Three Hundred Forty-five Thousand Dollars (\$345,000) to be provided under the lease-purchase agreement is hereby appropriated for expenditure in the Streets Fund from unanticipated revenue in the appropriate funds for the acquisition of equipment in accordance with the terms and provisions of the lease-purchase agreement, upon receipt thereof.

Section 7. Any inconsistency between the provisions of this Ordinance and those of the Act is intended by the Council. To the extent of any such inconsistency the provisions of this Ordinance shall be deemed made pursuant to the home rule charter of the City and shall supersede, to the extent permitted by law, the conflicting provisions of the Act.

Introduced, considered favorably on first reading, and ordered published this 1st day of March, A.D. 2011, and to be presented for final passage on the 15th day of March, A.D. 2011.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading on the 15th day of March, A.D. 2011.

Mayor

ATTEST:

City Clerk