

# City and County of Denver Capital Lease Financing

Public Works

Aerial Bucket Trucks Financing

May 19, 2010



**DENVER**  
THE MILE HIGH CITY

# Capital Lease Financing- Aerial Bucket Trucks

- In order to meet a 2009 budget shortfall, a one-time savings proposal was implemented which allowed for the financing of fleet replacements totaling \$6M via a capital lease structure.
- These are the final 4 vehicles of the \$6M 2009 Public Works fleet replacement list.
- Estimated useful life of the vehicles is 6 years.
- 2010 down payment is budgeted in the Planned Fleet Replacement Fund and reduces overall amount borrowed.

Description of equipment:

Vendor	Model	Cost
Transwest Trucking	Sixty Foot Hybrid Aerial Rear Mount Bucket Truck	\$ 181,363
Transwest Trucking	Thirty Seven Foot Hybrid Aerial Bucket Truck	\$ 168,566
Transwest Trucking	Thirty Seven Foot Hybrid Aerial Bucket Truck	\$ 168,566
OJ Watson	Hybrid Overhead Aerial Platform Sign Truck	\$ 229,205
<b>Total Cost of 4 Trucks</b>		<b>\$ 747,700</b>
<b>Down Payment (Payment in Lieu of 1st year rental payment)</b>		<b>\$ (144,700)</b>
<b>Total to be Financed over 4 years</b>		<b><u>\$ 603,000</u></b>

- The fleet is essential to the ongoing operations of the department. Acquiring the equipment now avoids negative impacts on service levels and possible escalating costs.
- Financing the fleet provides flexibility to leverage the departments limited resources.

# Capital Lease Terms for Public Works Vehicles

- Lessee City and County of Denver
- Lessor All American Investment Group  
(selected through competitive bid process)
- Amount Financed \$603,000
- Total Amount Paid \$665,421
- Annual Lease Payment \$165,142.86  
(source: Fleet Replacement Fund)
- Financing Term 4 Years\*
- Fixed Interest Rate 3.75%

\*Can prepay loan without penalty



# Outstanding Public Works Capital Leases

Agency	Equipment Detail	Date of Transaction	Financed Amount	Principal Outstanding as of 12/31/2009
Public Works	Street Sweepers	4/28/2008	\$ 1,065,570	\$ 809,631
Public Works	Snow Plows and Loaders	12/30/2008	\$ 1,979,205	\$ 1,582,225
Public Works	2 Dump Trucks	6/26/2009	\$ 492,810	\$ 492,810
Public Works	Asphalt rollers & road graders	8/13/2009	\$ 3,939,908	\$ 3,939,908
Public Works	Fire Truck and Velocity Pumper	7/30/2009	\$ 825,445	\$ 825,445
Public Works	Parking Meters	12/31/2009	\$ 1,170,050	\$ 1,170,050
		<b>Total</b>	<b>\$ 9,472,988</b>	<b>\$ 8,820,069</b>

## Slide 4

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**md1**

Do we want to add a last column with outstanding balances to demonstrate we're paying them down?

Margaret Danuser, 5/12/2010



# Capital Lease Financing

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- The City began expanded use of equipment financing in 2004.
- Budget and Management Office reviews and approves agency capital equipment requests and identifies equipment to be financed through a capital lease structure.
- All capital lease requests are then reviewed by the Lease Committee comprised of representatives from Purchasing, Finance and the City Attorneys Office.
- **Criteria and Evaluation:**
  1. Leased asset should have useful life of no less than 5 years.
  2. Cost of asset should be greater than \$500,000.
  3. Upon final payment, ownership of asset transfers to the City.
  4. Term of capital lease shall not exceed the depreciable life of the asset acquired.