



DENVER
THE MILE HIGH CITY

2022 Capital Lease for Fleet Purchase

Department of Transportation and Infrastructure
Department of Finance

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The age of much of the City's fleet infrastructure has exceeded its useful life.

This presentation includes:

- The list of vehicles requested
- Metrics which demonstrate the need for the requested vehicles
- Associated cost of the vehicles
- The terms of financing



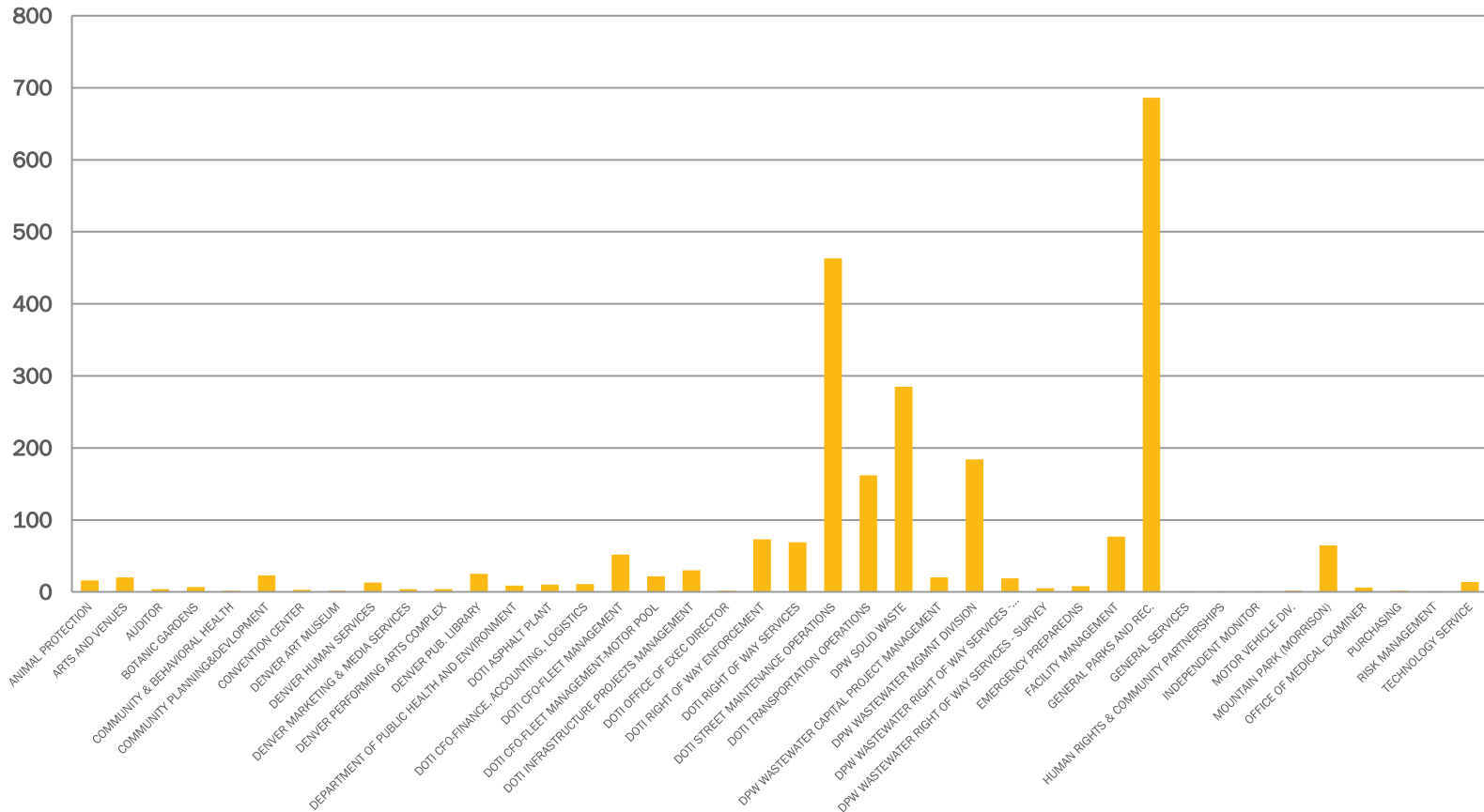
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Justification, Metrics, and Requested Vehicles



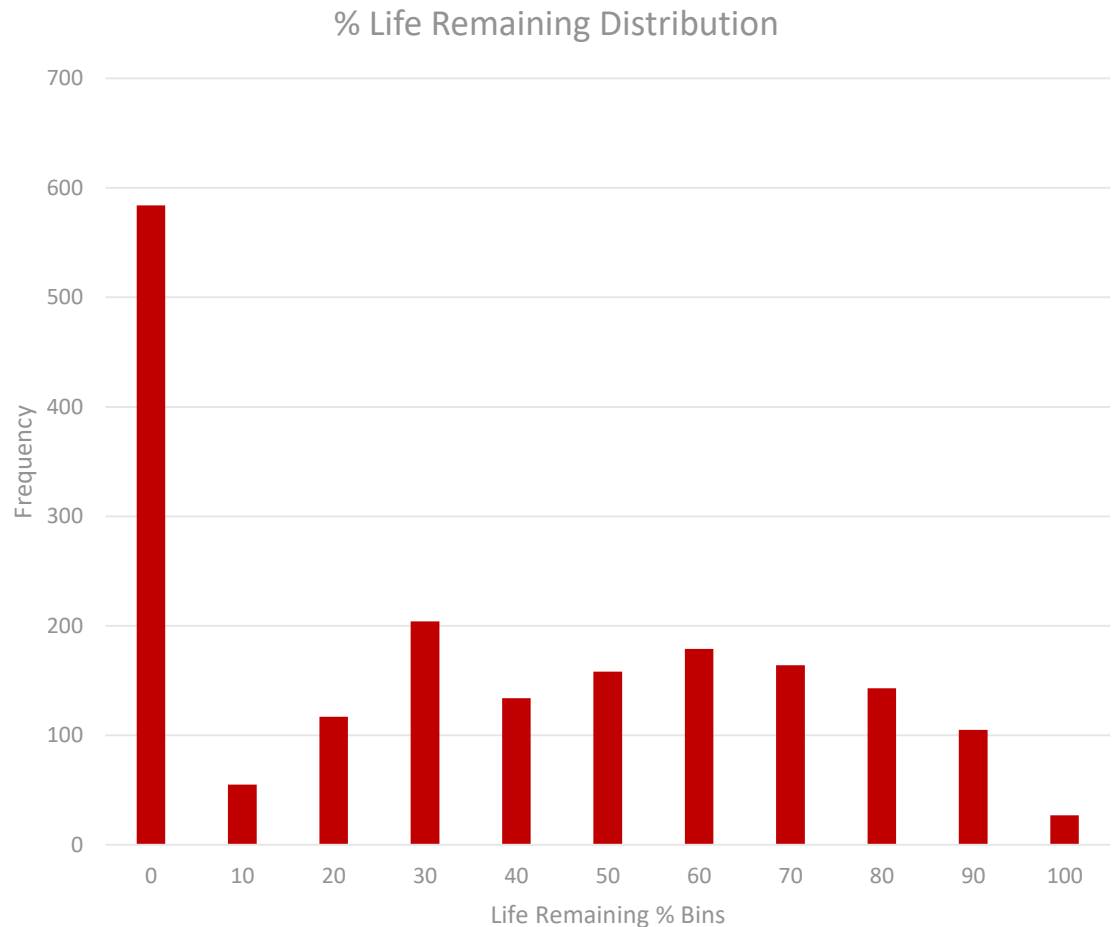
Fleet Agency Distribution

The City's current fleet infrastructure consists of 2,403 pieces of equipment distributed across 40 separate agencies.



Denver Fleet: Current and Proposed Future State

- There are currently ~580 units (vehicles) operating beyond their useful life (zero operational life).
- Of these ~580 units, 149 have been prioritized as critical need.
- With the 2022 Fleet SRF appropriation, 62 new units will be procured.
- If passed, the Capital Lease will allow for the procurement of an additional 60 units.
- This leaves a remaining backlog of 27 units, which will be evaluated for replacement in 2023.



Useful Life and Replacement Considerations

Vehicles that have exceeded their industry standard useful life are considered for replacement, but that is not the only consideration factored into the decision to replace the vehicle including:

- Mileage
- Downtime
- Maintenance and Repair Costs
- Cost per Mile
- Availability of Replacement Vehicles

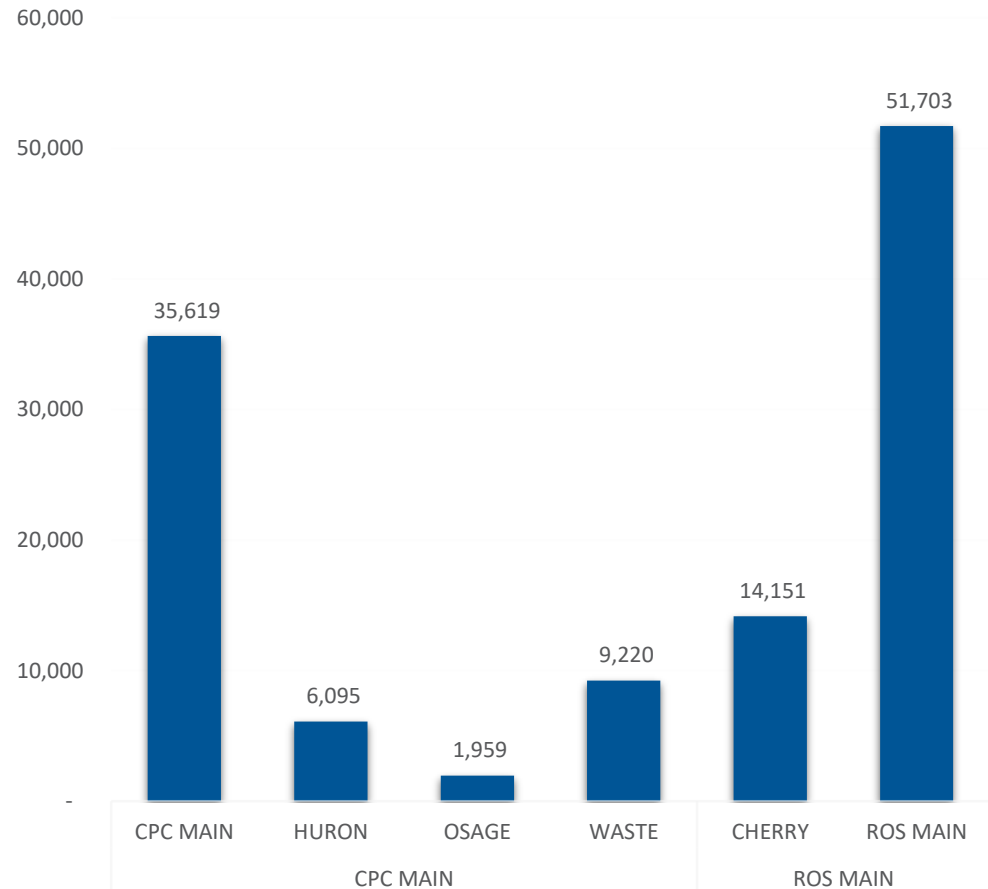
A vehicle may be beyond its useful life but may not be a candidate for replacement if it is still performing well against other performance metrics.

Fleet Infrastructure: Operational and Fiscal Impacts

The age of the current fleet infrastructure has had negative fiscal and operational impacts including:

- Increased labor hours and due to:
 - Complexity of repair
 - Availability of parts
- Increased overtime and turnover in Fleet Maintenance
- Increased cost of repairs, preventative maintenance, and parts
- Service delays and interruptions due to fleet availability
- Newer fleet infrastructure will decrease labor hours, costs of repairs, and reduce attrition

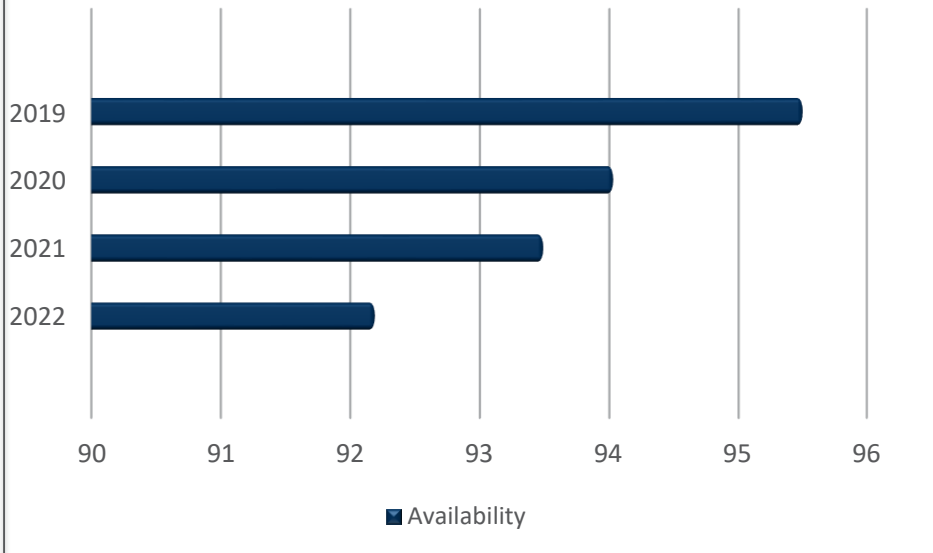
Total Hours Labor Hours (118,747)



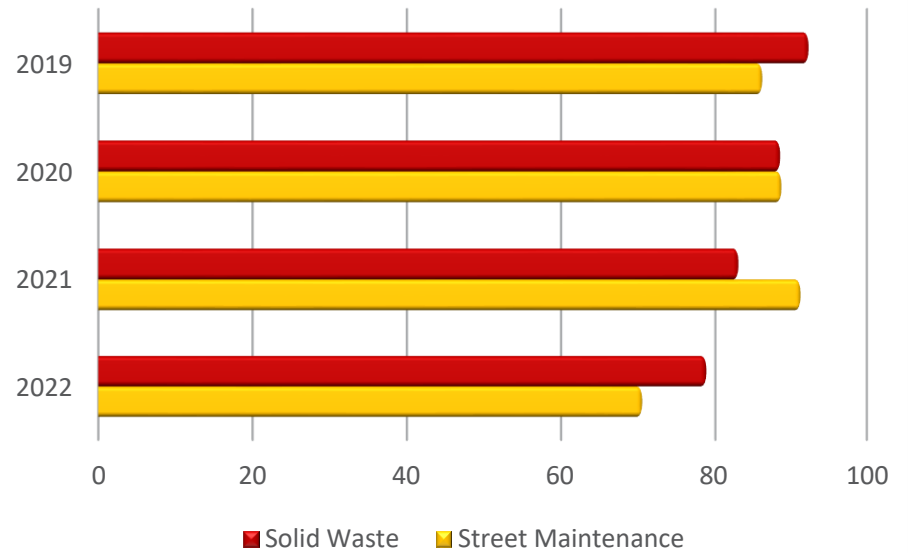
Fleet Availability Metrics

Due to the age of the Fleet infrastructure, Fleet availability has fallen below the KPI of 95% (currently 92%) and fleet availability tied to Solid Waste and Street Maintenance is well below 80% (shown below). This has contributed to delays in service.

Fleet Availability



SWM and STM Fleet Availability



Equipment List and Associated Costs

Equipment Type	Number of Vehicles	Total Cost	Useful Life (Years)
Refuse Trucks (All Side Loaders)	21	\$7,991,712	8
Refuse Trucks (Rear Loaders)	4	\$1,424,054	8
Trash Tractors	4	\$623,616	10
Fire Apparatus and Pumpers	3	\$2,832,935	15
Street Sweepers	12	\$3,316,171	6
Tandem Axle Dump Trucks and Plows (Snow Removal)	13	\$3,325,576	10
Asphalt Motor Grader, Profiler/Cold Planner & Wheel Loader	3	\$1,294,293	10
Total	60	\$20,814,151	



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Capital Leases



- A lease purchase (“rent-to-own”) transaction subject to annual appropriation by City Council; not subject to voter approval
- Used for smaller acquisitions of capital equipment (i.e., software, crime lab equipment, golf carts, etc.)
 - Debt Policy: minimum cost of equipment financed through a capital lease should be \$500,000 with a useful life of 5 years or more (aligned with depreciable life of asset)
 - Financed equipment must be tangible capital equipment (cannot lease services)
- Why finance capital equipment via a lease?
 - Helps leverage agency dollars that may be insufficient to cover full cost of tangible capital equipment purchase within 1-year
 - Provides for a shorter-term financing solution (compared to longer term bonds) that better aligns with capital useful life
 - **TABOR** provisions of Colorado Constitution prohibit “multi-year fiscal obligations”, without prior voter authorization

Capital Lease Financing Terms/Parameters

Financing Terms	
Lessee	City and County of Denver
Lessor	J.P. Morgan Chase, N.A.
Amount Financed (Principal)	Not-to-exceed \$21,250,000
Interest Rate	2.292% per annum <ul style="list-style-type: none"> Total Interest Cost up to \$1,671,404
Total Principal & Interest	Not-to-exceed \$22,921,404
Annual Payments (P&I)	<ul style="list-style-type: none"> Repaid from Planned Fleet Fund First lease payment anticipated in 2023 Subject to annual appropriation by City Council
Financing Term	5 Years
Prepayment	Can prepay without penalty after 12 months
Responsible Agency	Department of Transportation and Infrastructure
Collateral	Various fleet vehicles (presented on slide 10)

Leveraging a Capital Lease for these vehicles was a strategic decision to maximize available funds:

- This allows the City to catch up on prior years vehicle replacements without needing the full capital outlay all at once.
- Newer infrastructure will decrease the complexity of repairs and decrease the number of labor hours required by the fleet teams.
- In 2020, a nearly identical lease was advanced to Mayor's Council to assist with the fleet backlog, but due to Pandemic related budget cuts, had to be cancelled.
- City Council approved the budget for this lease in the 2022 budget process.

Authorizes the purchase of eleven (11) compost trucks through a lease package from the Planned Fleet Fund (SRF 11804) and the Compost Fund (SRF11862) to support the increased demand in compost pickup services.

- Support Increased Demand in Compost
- Long Lead Time in Equipment
- Maximize Budget through the Lease



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Next Steps



- (1) **RR22-0460**: A zero-dollar contract seeking authorization for the procurement of one (1) Pierce Velocity 100' platform apparatus and two (2) Pierce Velocity pumper trucks for the Department of Transportation and Infrastructure ("DOTI") from Front Range Fire Apparatus, Limited
- (2) **RR22-0461**: A zero-dollar contract seeking authorization for the procurement of nine (9) Dulevo street sweepers and twenty-five (25) Dennis Eagle cab and chassis for trash and compost trucks for DOTI from Hardline Equipment LLC
- (3) **RR22-0462**: A zero-dollar contract seeking authorization for the procurement of four (4) Durapack 25-yard-high compact rear loaders bodies for DOTI from Kois Brothers Equipment Co.
- (4) **RR22-0463**: A zero-dollar contract seeking authorization for the procurement of one (1) Mathieu Azura Flex sweeper for DOTI from Neverest Equipment Co.
- (5) **RR22-0464**: A zero-dollar contract seeking authorization for the procurement of thirteen (13) tandem dump truck bodies and two (2) street sweeper bodies for DOTI from O.J. Watson Company, Inc.
- (6) **RR22-0465**: A zero-dollar contract seeking authorization for the procurement of thirteen (13) Freightliner tandem plows (cab and chassis), two (2) Freightliner street sweepers (cab and chassis), and four (4) Freightliner trash tractors for DOTI from Trans-West, Inc.
- (7) **RR22-0466**: A zero-dollar contract seeking authorization for the procurement of one (1) Caterpillar cold planner, one (1) Caterpillar motorgrader, and one (1) Caterpillar compact loader for DOTI from Wagner Equipment Co.
- (8) **RR22-0467**: A zero-dollar contract seeking authorization for the procurement of twenty-one (21) automatic side loader (ASL) bodies for DOTI from Amrep Manufacturing Company
- (9) **RR22-0456**: A 5-year capital lease purchase transaction with JPMorgan Chase, N.A. for the equipment referenced above. Total lease cost of up to approximately \$22,921,404 is comprised of \$21,250,000 of principal (equal to total cost of the equipment to be lease purchased plus a potential price increase) and \$1,671,404 of interest (at 2.292% per annum through 2027).
- (10) **BR22-0467**: Authorizing the capital equipment purchase of 11 compost trucks with a transfer from the Planned Fleet Fund SRF to the Compost Fund SRF

- 5/3/22- FINGOV
- 5/10/22- Mayor Council
- 5/16/22- 1st and Only Reading for Resolutions; 1st Reading Budget Ordinance
- 5/24/22- Anticipated financial closing; 2nd Reading Budget Ordinance
- Q3 2022- Anticipated start of equipment deliveries

Questions?