



2022 Fleet Capital Lease Amendment

Department of Transportation and Infrastructure
Department of Finance

November 22nd, 2022

Overview and Agency Contacts

Overview:

The purpose of this presentation is to outline specification and price changes that need to be made to vehicles acquired through the 2022 Capital Lease. These changes will yield a small cost savings to the City, which will be applied to lease payments per the lease purchase agreement. There are various reasons that these changes are necessary including:

- Compliance with State law
- Safety and damage mitigation
- Vehicle longevity

Agency Contacts:

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DENVER
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Equipment List and Specification Changes



Original 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 Axel 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	

Specification Changes

EQUIPMENT/ LINE ITEMS	ORIGINAL COST	AMENDED COST	COST CHANGE	SPECIFICATION CHANGE AND REASON
2023 Dennis Eagle Pro View single steer (Left Hand Drive) cab and chassis equipped Cummins L9 350HP (8.9 liter in line diesel)	\$ 1,181,204.75	\$ 1,177,454.75	\$ (3,750.00)	Vendor found changes needed during the build due to chassis using the Canadian spec, which is too wide for street legal standards in Colorado. To stay on delivery schedule, steel wheels will be subbed for aluminum to narrow overall width.
2023 Dennis Eagle Pro View single steer (Left HandDrive) cab and chassis Cummins L9 350HP (8.9 liter (CNG-EPA, CARB 2018 L9N 8.9L))	\$ 838,266.60		\$ (838,266.60)	Vendor found changes needed during the build to specs which will not accommodate Denver's fuel tank placement to meet Denver's needs. To stay on schedule, Denver will swap three additional 8.9 liter inline diesel trucks and add the three CNGs to a later delivery date. See below.
2023 Dennis Eagle Pro View single steer (Left Hand Drive) cab and chassis equipped Cummins L9 350HP (8.9 liter inline diesel)	\$ 3,071,132.35	\$ 3,767,855.20	\$ 696,722.85	Vendor found changes needed during the build due to chassis using the Canadian spec, which is too wide for street legal standards in Colorado. To stay on delivery schedule, steel wheels will be subbed for aluminum to narrow overall width.
2023 Dennis Eagle Pro View single steer (Left Hand Drive) cab and chassis equipped Cummins L9 350HP (8.9 liter inline diesel)**	\$ 905,420.80	\$ 902,420.80	\$ (3,000.00)	Vendor found changes needed during the build due to chassis using the Canadian spec, which is too wide for street legal standards in Colorado. To stay on delivery schedule, steel wheels will be subbed for aluminum to narrow overall width.
		\$ 8,414,151.28	\$ 8,265,857.53	\$ (148,293.75)



Capital Leases

Capital Lease Overview

- 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 Justification

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-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.