



CAPITAL LEASE FINANCING HEAVY EQUIPMENT AND VEHICLES

Finance Department

City Council
July 16, 2024

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BACKGROUND

1. March 13, 2023: Board of Public Utilities (BPU) recommended that the City Council approve vehicle purchases utilizing Sourcewell Cooperative Purchasing in the amount of \$4.814 million, subject to the availability of funds; and authorize the City Manager or designee to execute all purchase agreements associated with this request.
2. On April 18, 2023 City Council approved BPU's recommendations from March 13, 2023.
3. All equipment has been ordered utilizing purchasing resolution No. 23914, 602(f).
4. Aligns with California Air Resources Board air quality compliance guidelines.



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PROPOSED VEHICLE LIST

Equipment Type	Quantity	Estimated Actual Cost Per Vehicle	Total Estimated Cost
Service Truck Freightliner 114SD (Sourcewell #060920)	5	\$400,575	\$2,002,875
Dump Truck Pterbilt 16' Dump (Sourcewell #060920)	6	\$342,705	\$2,056,230
Boom Truck Elliot – 1870F (70' boom) (Sourcewell #110421)	1	\$428,930	\$428,930
Water Ops Truck Ford 350 (Sourcewell #060920)	2	\$125,390	\$250,780
Cargo Van Ford Transit 250 MR (Sourcewell #091521)	1	\$75,000	\$75,000
		Total:	\$4,813,815



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FINANCING TEAM

The financing team is City staff from the Finance Department, City Attorney's Office, and RPU.

Parties involved in the financing:

Entity Name	Role
CSG Advisors Incorporated	Municipal Advisor
JPMorgan Chase Bank N.A	Lender
Stradling	Bond Counsel
US Bank	Escrow Agent



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RFP DETAILS

- On April 3, 2024 Finance Department released a Request for Proposal through its Municipal Advisor to 16 Direct Lenders that provide capital lease financing
- 8 qualified responses were received
- JPMorgan Chase Bank, N.A. was selected as lender, they offered the lowest borrowing cost of 4.149% for the financing terms the City requested



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PROPOSED TRANSACTION

Borrowing Structure

- Legal Structure: Capital Equipment Lease Financing
- Term: 7 years
- Payback: Semi-Annual Payments
- Interest: 4.149%
- Principal: \$4,814,000



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GOOD FAITH ESTIMATES

- Total Finance Charge - \$26,500
- Aggregate Principal - \$4,814,000
- Estimated True Interest Cost of Bond -4.1490 %
- Amount of Estimated Bond Proceeds - \$4,814,000*
**Finance charge to be paid from cash on hand*
- Total Payment Amount to Final Maturity \$5,596,273



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ESTIMATED SEMI-ANNUAL DEBT SERVICE SCHEDULE

JP MORGAN CHASE BANK 7-YEAR Borrowing Term					
Loan Amount	\$ 4,814,000.00				
Estimated Interest Rate	4.149%				
Payment	Principal	Interest	Total	Annual	Balance
1	\$299,867.38	\$99,866.43	\$399,733.81		4,514,132.62
2	\$306,088.13	\$93,645.68	\$399,733.81	\$799,467.62	4,208,044.49
3	\$312,437.93	\$87,295.88	\$399,733.81		3,895,606.56
4	\$318,919.45	\$80,814.36	\$399,733.81	\$799,467.62	3,576,687.11
5	\$325,535.44	\$74,198.37	\$399,733.81		3,251,151.67
6	\$332,288.67	\$67,445.14	\$399,733.81	\$799,467.62	2,918,863.00
7	\$339,182.00	\$60,551.81	\$399,733.81		2,579,681.00
8	\$346,218.33	\$53,515.48	\$399,733.81	\$799,467.62	2,233,462.67
9	\$353,400.63	\$46,333.18	\$399,733.81		1,880,062.04
10	\$360,731.92	\$39,001.89	\$399,733.81	\$799,467.62	1,519,330.12
11	\$368,215.31	\$31,518.50	\$399,733.81		1,151,114.81
12	\$375,853.93	\$23,879.88	\$399,733.81	\$799,467.62	775,260.88
13	\$383,651.02	\$16,082.79	\$399,733.81		391,609.86
14	\$391,609.86	\$8,123.95	\$399,733.81	\$799,467.62	-
Total	\$4,814,000.00	\$782,273.35	\$5,596,273.34	\$5,596,273.35	



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STRATEGIC PLAN ALIGNMENT

Strategic Priority 5 -High Performing Government

Goal 5.4 –Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.

Cross-Cutting Threads



Community Trust



Fiscal Responsibility



Sustainability & Resiliency



Equity



Innovation



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RECOMMENDATIONS

That the City Council:

1. Conduct a Public Hearing in consideration of the 2024 Capital Equipment Lease Financing issuance and receive comments relative to the proposed financing transaction;
2. Adopt a resolution approving an amendment and schedule to the Master Lease Purchase Agreement with JP Morgan Chase Bank, N.A. in the amount not-to-exceed \$4,814,000, payable in semi-annual payments over a 7-year period at an estimated interest rate of approximately 4.149% per year;
3. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record an increase in revenue equal to the total bond proceeds of \$4,814,000 and a supplemental appropriation of the same amount in the applicable Water Fund accounts for the purchase of vehicles and related equipment;



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RECOMMENDATIONS

4. Authorize the estimated costs of issuance expenditures of up to \$50,000 associated with this financing to be paid from existing appropriations in the Water Fund, Debt Related Fiscal Charges Account; and
5. Authorize the City Manager, or designee, to execute all documents necessary to complete the financing and purchasing of the vehicles and related equipment, including approving purchase orders and making minor and non-substantive changes.

