

GENERAL

Ordinance Fact Sheet

220561

Ordinance Number

Brief Title

Authorizing the Director of Finance to accept the proposal of PNC Equipment Finance, LLC or an affiliate for financing the acquisition of Fire Department Pumpers and extending leases on certain others.

Reason

The City wishes to replace the 32 pumpers acquired under Ordinance 150934, approved in 2015, in a staggered manner over a period of time.

Details

Reason for Legislation

Authorizing the Director of Finance to accept the proposal of PNC Equipment Finance, LLC or an affiliate or other designee thereof for financing the acquisition of fire fleet vehicles and equipment under a lease-purchase agreement at an estimated cost of \$9,120,000.00; authorizing the entering of lease-purchase agreements to refinance and extend the lease term of certain vehicles currently leased under an existing lease-purchase agreement in an estimated amount not to exceed \$4,620,170.00; authorizing the execution of any and all documents and agreements necessary; estimating and appropriating revenues in the amount of \$13,740,170.00 in Fund No. 3230, the Equipment Lease Capital Acquisition Fund; designating requisitioning authority and authorizing the Director of Finance to close project accounts; declaring the intent of the City to reimburse itself from the lease purchase proceeds for certain expenditures; and recognizing this ordinance as having an accelerated effective date.

Discussion

The City previously accepted the proposal of Oshkosh Capital, a/k/a PNC Equipment Finance, LLC ("PNC") pursuant to Ordinance No. 150394, for financing the acquisition of new fleet vehicles and equipment for the Fire Department of the City to properly perform its fire service duties, at an estimated purchase price of \$36,675,538 and a not-to-exceed purchase price of \$37,000,000 (the "2015 Project"), the purchase of which fleet vehicles and related equipment constituting the 2015 Project.

The payment of scheduled debt service payments on the 2015 Project Lease for the financing of 32 fire pumper trucks ("Pumpers") and certain equipment was to be paid over a successive seven-year (7) period and for the financing of rear-mount aerial platforms (RMAs), rescues and tillers and certain equipment was to be paid over a successive ten-year (10) period, depending on the applicable useful life of the vehicle or equipment.

PNC proposes a three-year staggered replacement plan of replacing currently leased Pumpers with an estimated 11 new units each year in three steps:

1. Nine pumpers from the 2015 Project Lease would be purchased by the City as reserve apparatus and two would be turned in at the end of the 2015 Lease term in July of 2022.
2. Twenty-one (21) remaining Pumpers will be refinanced in July of 2022 for a two-year period and 11 replacement units will be ordered and financed at the same time. The twenty-one remaining Pumpers would be turned in at the time of receipt of the current 11 replacement units and the 11 replacement units ordered in February of 2022.
3. The final 11 replacement units will be ordered later in fiscal year 2024.

The City wishes to purchase 11 new pumpers in 2022 (the "2022 Pumper Project"), at cost of \$9,100,000 for new trucks, and \$3,340,904 to extend the leases for some current equipment, pursuant to a Lease Purchase Agreement (Turn-In Lease for Pierce Equipment) (the "2022 Pumper Lease"), which will have comparable terms to the 2015 Pumper Lease.

Sponsor	Tammy L. Queen, Director of Finance Donna Lake, Fire Chief
Programs, Departments, or Groups Affected	Finance Department Fire Department
Applicants / Proponents	Applicant City Department Finance Department Fire Department
Opponents	Groups or Individuals None Known Basis of opposition
Staff Recommendation	<input checked="" type="checkbox"/> For <input type="checkbox"/> Against Reason Against
Board or Commission Recommendation	By <input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> No action taken <input type="checkbox"/> For, with revisions or conditions (see details column for conditions)
Council Committee Actions	<input type="checkbox"/> Do pass <input type="checkbox"/> Do pass (as amended) <input type="checkbox"/> Committee Sub. <input type="checkbox"/> Without Recommendation <input type="checkbox"/> Hold <input type="checkbox"/> Do not pass

(Continued on reverse side)

Details

As provided in Ordinance No. 150394 approving the 2015 Project, the form of Lease will include an end-of-lease term rider setting out three options available to the City at the end of the lease term, as follows: (1) the City may pay a balloon rent payment and purchase the fire fleet vehicle, (2) the City may turn in the fire fleet vehicle to Pierce and agree to acquire a new fire fleet vehicle from Pierce or Pierce's designated dealer, or (3) the City may refinance the balloon rent payment, subject to further approval as applicable by the governing body of the City prior to the exercise of such option.

The interest rate on the 9-year term lease will be locked upon final negotiation of the terms of the lease-purchase agreement.

Is it good for the children?

Yes. The ability to deploy needed resources to a fire, rescue, or medical emergency contributes to the health and safety of citizens and visitors throughout the community.

How will this contribute to a sustainable Kansas City?

This legislation is intended to reduce fires that contribute to environmental damage created from the byproducts of combustion and contamination of soil and ground water.

Policy/Program Impact

Policy or Program Change	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
Operational Impact Assessment	

Finances

Cost & Revenue Projections -- Including Indirect Costs	
Financial Impact	<p>Based on the proposal submitted by PNC Bank, the following are the debt service estimates:</p> <ul style="list-style-type: none"> a) Tranche 2 purchase of 11 new pumper trucks Amount Financed (net of discounts): \$8,705,384.73 Total Debt Service: \$10,617,170.47 Average Annual Debt Service: \$1,179,631 Interest Rate: 3.76% b) KCMO Balloon Refinance #1 (2 pumper trucks) Amount Financed: \$320,115.26 Total Debt Service: \$326,900.39 Average Annual Debt Service: \$326,901 Interest Rate: 3.64% c) KCMO Balloon Refinance #2 (11 pumper trucks) Amount Financed: \$1,599,381.20 Total Debt Service: \$1,681,615.55 Average Annual Debt Service: \$580,540 Interest Rate: 3.90% d) KCMO Balloon Refinance #3 (10 pumper trucks) Amount Financed: \$1,421,406.60 Total Debt Service: \$1,508,657.52 Average Annual Debt Service: \$503,000 Interest Rate: 3.93% <p>Total Amount Financed: \$12,046,287.79 Total Debt Service: \$14,134,343.93</p> <p>The refinancing of 23 vehicles will save the Fire Capital Sales Tax \$2.65 million in fiscal year 2023.</p>
Fund Source (s) and Appropriation Account Codes	Fire Capital Sales Tax Fund

(Use this space for further discussion, if necessary)

Applicable Dates:

Fact Sheet Prepared by:

Name: Mike Buckman Date: June 24, 2022
 Title: Public Finance Manager

Reviewed by:

Name: Kimberly Carter Date: June 24, 2022
 Title: City Treasurer

Reference Numbers