



GRAND RAPIDS PUBLIC UTILITIES COMMISSION REGULAR WORK SESSION MEETING AGENDA

Wednesday, March 13, 2024

8:00 AM

CALL TO ORDER: Pursuant to due notice and call thereof, a Work Session Meeting of the Grand Rapids Public Utilities Commission will be held on Wednesday, March 13, 2024 at 8:00 AM in the conference room of the Public Works/Public Utilities Service Center at 500 SE 4th Street, Grand Rapids, Minnesota.

CALL OF ROLL:

BUSINESS:

1. Consider a motion to approve \$1,074,952.74 verified claims for February 2024.
2. Legionella and Drinking Water Update
3. Review funding options for new utility only and joint city ERP software.
4. Review fleet vehicle leasing program with Enterprise Fleet Management

ADJOURNMENT:

The next Regular Meeting of the Commission is scheduled for Wednesday, March 27, 2024 at 4:00 PM in the conference room of the Public Works/Public Utilities Service Center at 500 SE 4th Street.

The next Work Session is scheduled for Wednesday, April 10, 2024 at 8:00 AM in the conference room of the Public Works/Public Utilities Service Center at 500 SE 4th Street.

The GRPUC has adopted a Meeting Protocol Policy, which informs attendees of the GRPUC's desire to conduct meetings in an orderly manner which welcomes all civil input from interested parties. If you are unaware of the policy, please contact our office at 218-326-7024 and we will provide you with a copy of the policy.



GRAND RAPIDS PUBLIC UTILITIES COMMISSION AGENDA ITEM

AGENDA DATE: March 13, 2024

AGENDA ITEM: Consider a motion to approve \$1,074,952.74 verified claims for February 2024.

PREPARED BY: Jean Lane, Business Services Manager

BACKGROUND:

See attached check registers:

Computer check register \$1,074,952.74

Total \$1,074,952.74

RECOMMENDATION:

Consider a motion to approve \$1,074,952.74 of verified claims for February 2024.

Grand Rapids Public Utilities
Accounts Payable
February 2024
(Meeting Date: 3/13/2024)

Item 1.

NAME	AMOUNT
Border States	1,824.00
Burggraf's Ace	38.98
City of Grand Rapids	251.14
Cole Hardware	83.27
Compass Minerals	4,658.34
Cooperativve Response Center	2,101.29
Core & Main	2,027.31
Fastenal	2,220.46
Gallagher	10,000.00
Grainger	2,573.81
Graybar	978.56
Hawkins	5,883.02
HM Cragg Critial Power	1,835.00
icTV	815.00
InLighten	395.00
Innovative	128.76
MCMaster	3,049.33
Metro Sales	1,106.79
MNCPA	365.00
MN Municipal Utilities	29,082.50
MN Power	992,209.74
Northeast Technical Services	2,806.25
Procise Solutions	568.75
Railroad Management	379.14
RMB	686.40
Sandstroms	466.65
TNT Construction	4,247.00
United Rentals	2,171.76
Viking Electric	526.91
Wesco	1,472.58
Total	1,074,952.74



GRAND RAPIDS PUBLIC UTILITIES COMMISSION AGENDA ITEM

AGENDA DATE: March 13, 2024

AGENDA ITEM: Review funding options for new utility only and joint city ERP software.

PREPARED BY: Jean Lane, Business Services Manager

BACKGROUND:

The contract has been executed with SpryPoint for the GRPU only utility software. The total cost is \$474,200. The joint city/utility ERP software costs were received and total \$739,351, of which the city share is \$345,628 and GRPU share is \$393,723. Total cost of both software projects is \$1,213,551.

The GRPU cost for the new utility and ERP software total is \$869,923. Even though the costs for the utility software can be covered by the 2024 budget, the GRPU share of the joint ERP software can only be covered by the 2024 budget if other projects do not go forward in 2024.

GRPU and city have researched three main funding options (debt) with Ehlers.

- Competitive Sale of Equipment Certificates of approximately \$1,000,000
- Internal Loan \$1,000,000
- Lease or Bank Placement \$1,000,000

The funding options are based on total project estimated costs of \$1,225,000 (rounded up from \$1,213,551) with GRPU providing a cash deposit of approximately \$225,000 leaving a balance of \$1,000,000 for debt funding for seven years. Ehlers has provided the attached issue options summary and background financial data.

Each option has pros and cons, and I would like to walk through the options with the GRPU Commission at the work session.

RECOMMENDATION:

Review financing options for utility only and joint city ERP software and receive feedback.

Issue Options Summary
 General Obligation Equipment Certificates, Series 2024A
 City & Public Utilities Commission of Grand Rapids, Minnesota

Assumptions	
Rating	AA-
Interest Rates	Assumes Current Market Rates Plus 50 Basis Points
Payments	Annual Principal, Semi-Annual Interest (Option No. 1), Semi-Annual Principal & Interest (Options No. 2 & No. 3)
Term (in years)	7
Project Costs	\$1,225,000 for an Enterprise Resource Planning System

Issue Options Summary									
Series	True Interest Cost	Closing Date (1)	Estimated						
			Cash Contribution	Construction Fund Deposit	Total Principal	Total Interest	Total Principal and Interest	Average Annual Payment	Total Cost of Issuance & Discount
Option No. 1: Competitive Sale									
City	3.48%	09/05/24	-	350,000	370,000	52,702	422,702	60,386	20,000
GRPU	3.48%	09/05/24	225,000	875,000	685,000	97,683	782,683	111,812	35,000
Total			225,000	1,225,000	1,055,000	150,385	1,205,385	172,198	55,000
Option No. 2: Internal Loan									
City	3.99%	09/05/24	-	350,000	350,000	61,190	411,190	58,741	-
GRPU	3.99%	09/05/24	225,000	875,000	650,000	113,630	763,630	109,090	-
Total			225,000	1,225,000	1,000,000	174,820	1,174,820	167,831	-
Option No. 3: Lease or Bank Placement									
City	5.42%	09/05/24	-	350,000	361,000	87,201	448,201	64,029	10,174
GRPU	5.42%	09/05/24	225,000	875,000	668,000	161,402	829,402	118,486	18,826
Total			225,000	1,225,000	1,029,000	248,603	1,277,603	182,515	29,000

Notes (1) Subject to change.

City of Grand Rapids, Minnesota

\$1,055,000 General Obligation Equipment Certificates, Series 2024

Issue Summary - Competitive Sale

Assumes Current Market BQ AA- Rates +50bps

Total Issue Sources And Uses

Dated 09/05/2024 | Delivered 09/05/2024

	City Equipment	Utility Equipment	Issue Summary
Sources Of Funds			
Par Amount of Bonds	\$370,000.00	\$685,000.00	\$1,055,000.00
Planned Issuer Equity contribution	-	225,000.00	225,000.00
Total Sources	\$370,000.00	\$910,000.00	\$1,280,000.00
Uses Of Funds			
Total Underwriter's Discount (1.500%)	5,550.00	10,275.00	15,825.00
Costs of Issuance	13,327.02	24,672.98	38,000.00
Deposit to Project Construction Fund	350,000.00	875,000.00	1,225,000.00
Rounding Amount	1,122.98	52.02	1,175.00
Total Uses	\$370,000.00	\$910,000.00	\$1,280,000.00

City of Grand Rapids, Minnesota

\$1,055,000 General Obligation Equipment Certificates, Series 2024

Issue Summary - Competitive Sale

Assumes Current Market BQ AA- Rates +50bps

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/05/2024	-	-	-	-	-
08/01/2025	-	-	30,087.08	30,087.08	-
02/01/2026	125,000.00	3.400%	16,612.50	141,612.50	171,699.58
08/01/2026	-	-	14,487.50	14,487.50	-
02/01/2027	145,000.00	3.200%	14,487.50	159,487.50	173,975.00
08/01/2027	-	-	12,167.50	12,167.50	-
02/01/2028	145,000.00	3.100%	12,167.50	157,167.50	169,335.00
08/01/2028	-	-	9,920.00	9,920.00	-
02/01/2029	155,000.00	3.100%	9,920.00	164,920.00	174,840.00
08/01/2029	-	-	7,517.50	7,517.50	-
02/01/2030	155,000.00	3.100%	7,517.50	162,517.50	170,035.00
08/01/2030	-	-	5,115.00	5,115.00	-
02/01/2031	160,000.00	3.100%	5,115.00	165,115.00	170,230.00
08/01/2031	-	-	2,635.00	2,635.00	-
02/01/2032	170,000.00	3.100%	2,635.00	172,635.00	175,270.00
Total	\$1,055,000.00	-	\$150,384.58	\$1,205,384.58	-

Yield Statistics

Bond Year Dollars	\$4,822.86
Average Life	4.571 Years
Average Coupon	3.1181611%
Net Interest Cost (NIC)	3.4462858%
True Interest Cost (TIC)	3.4772986%
Bond Yield for Arbitrage Purposes	3.1149914%
All Inclusive Cost (AIC)	4.3785210%

IRS Form 8038

Net Interest Cost	3.1181611%
Weighted Average Maturity	4.571 Years

City of Grand Rapids, Minnesota

\$370,000 General Obligation Equipment Certificates, Series 2024
City Equipment

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/05/2024	-	-	-	-	-
08/01/2025	-	-	10,554.25	10,554.25	-
02/01/2026	45,000.00	3.400%	5,827.50	50,827.50	61,381.75
08/01/2026	-	-	5,062.50	5,062.50	-
02/01/2027	50,000.00	3.200%	5,062.50	55,062.50	60,125.00
08/01/2027	-	-	4,262.50	4,262.50	-
02/01/2028	50,000.00	3.100%	4,262.50	54,262.50	58,525.00
08/01/2028	-	-	3,487.50	3,487.50	-
02/01/2029	55,000.00	3.100%	3,487.50	58,487.50	61,975.00
08/01/2029	-	-	2,635.00	2,635.00	-
02/01/2030	55,000.00	3.100%	2,635.00	57,635.00	60,270.00
08/01/2030	-	-	1,782.50	1,782.50	-
02/01/2031	55,000.00	3.100%	1,782.50	56,782.50	58,565.00
08/01/2031	-	-	930.00	930.00	-
02/01/2032	60,000.00	3.100%	930.00	60,930.00	61,860.00
Total	\$370,000.00	-	\$52,701.75	\$422,701.75	-

Yield Statistics

Bond Year Dollars	\$1,690.06
Average Life	4.568 Years
Average Coupon	3.1183442%
Net Interest Cost (NIC)	3.4467358%
True Interest Cost (TIC)	3.4777951%
Bond Yield for Arbitrage Purposes	3.1149914%
All Inclusive Cost (AIC)	4.3798053%

IRS Form 8038

Net Interest Cost	3.1183442%
Weighted Average Maturity	4.568 Years

City of Grand Rapids, Minnesota

\$685,000 General Obligation Equipment Certificates, Series 2024
Utility Equipment

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/05/2024	-	-	-	-	-
08/01/2025	-	-	19,532.83	19,532.83	-
02/01/2026	80,000.00	3.400%	10,785.00	90,785.00	110,317.83
08/01/2026	-	-	9,425.00	9,425.00	-
02/01/2027	95,000.00	3.200%	9,425.00	104,425.00	113,850.00
08/01/2027	-	-	7,905.00	7,905.00	-
02/01/2028	95,000.00	3.100%	7,905.00	102,905.00	110,810.00
08/01/2028	-	-	6,432.50	6,432.50	-
02/01/2029	100,000.00	3.100%	6,432.50	106,432.50	112,865.00
08/01/2029	-	-	4,882.50	4,882.50	-
02/01/2030	100,000.00	3.100%	4,882.50	104,882.50	109,765.00
08/01/2030	-	-	3,332.50	3,332.50	-
02/01/2031	105,000.00	3.100%	3,332.50	108,332.50	111,665.00
08/01/2031	-	-	1,705.00	1,705.00	-
02/01/2032	110,000.00	3.100%	1,705.00	111,705.00	113,410.00
Total	\$685,000.00	-	\$97,682.83	\$782,682.83	-

Yield Statistics

Bond Year Dollars	\$3,132.81
Average Life	4.573 Years
Average Coupon	3.1180623%
Net Interest Cost (NIC)	3.4460431%
True Interest Cost (TIC)	3.4770308%
Bond Yield for Arbitrage Purposes	3.1149914%
All Inclusive Cost (AIC)	4.3778282%

IRS Form 8038

Net Interest Cost	3.1180623%
Weighted Average Maturity	4.573 Years

City of Grand Rapids, Minnesota

\$1,000,000 General Obligation Equipment Certificates, Series 2024
 Issue Summary - Interfund Loan
 Fixed Rate

Total Issue Sources And Uses

Dated 09/05/2024 | Delivered 09/05/2024

	City Equipment	Utility Equipment	Issue Summary
Sources Of Funds			
Par Amount of Bonds	\$350,000.00	\$650,000.00	\$1,000,000.00
Planned Issuer Equity contribution	-	225,000.00	225,000.00
Total Sources	\$350,000.00	\$875,000.00	\$1,225,000.00
Uses Of Funds			
Deposit to Project Construction Fund	350,000.00	875,000.00	1,225,000.00
Total Uses	\$350,000.00	\$875,000.00	\$1,225,000.00

City of Grand Rapids, Minnesota

\$1,000,000 General Obligation Equipment Certificates, Series 2024

Issue Summary - Interfund Loan

Fixed Rate

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/05/2024	-	-	-	-	-
08/01/2025	47,700.00	4.000%	36,222.22	83,922.22	-
02/01/2026	64,900.00	4.000%	19,046.00	83,946.00	167,868.22
08/01/2026	66,100.00	4.000%	17,748.00	83,848.00	-
02/01/2027	67,500.00	4.000%	16,426.00	83,926.00	167,774.00
08/01/2027	68,800.00	4.000%	15,076.00	83,876.00	-
02/01/2028	70,200.00	4.000%	13,700.00	83,900.00	167,776.00
08/01/2028	71,700.00	4.000%	12,296.00	83,996.00	-
02/01/2029	73,100.00	4.000%	10,862.00	83,962.00	167,958.00
08/01/2029	74,500.00	4.000%	9,400.00	83,900.00	-
02/01/2030	76,000.00	4.000%	7,910.00	83,910.00	167,810.00
08/01/2030	77,500.00	4.000%	6,390.00	83,890.00	-
02/01/2031	79,100.00	4.000%	4,840.00	83,940.00	167,830.00
08/01/2031	80,600.00	4.000%	3,258.00	83,858.00	-
02/01/2032	82,300.00	4.000%	1,646.00	83,946.00	167,804.00
Total	\$1,000,000.00	-	\$174,820.22	\$1,174,820.22	-

Yield Statistics

Bond Year Dollars	\$4,370.51
Average Life	4.371 Years
Average Coupon	3.9999999%
Net Interest Cost (NIC)	3.9999999%
True Interest Cost (TIC)	3.9927711%
Bond Yield for Arbitrage Purposes	3.9927711%
All Inclusive Cost (AIC)	3.9927711%

IRS Form 8038

Net Interest Cost	3.9999999%
Weighted Average Maturity	4.371 Years

City of Grand Rapids, Minnesota

\$350,000 General Obligation Equipment Certificates, Series 2024

City Equipment

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/05/2024	-	-	-	-	-
08/01/2025	16,700.00	4.000%	12,677.78	29,377.78	-
02/01/2026	22,700.00	4.000%	6,666.00	29,366.00	58,743.78
08/01/2026	23,100.00	4.000%	6,212.00	29,312.00	-
02/01/2027	23,600.00	4.000%	5,750.00	29,350.00	58,662.00
08/01/2027	24,100.00	4.000%	5,278.00	29,378.00	-
02/01/2028	24,600.00	4.000%	4,796.00	29,396.00	58,774.00
08/01/2028	25,100.00	4.000%	4,304.00	29,404.00	-
02/01/2029	25,600.00	4.000%	3,802.00	29,402.00	58,806.00
08/01/2029	26,100.00	4.000%	3,290.00	29,390.00	-
02/01/2030	26,600.00	4.000%	2,768.00	29,368.00	58,758.00
08/01/2030	27,100.00	4.000%	2,236.00	29,336.00	-
02/01/2031	27,700.00	4.000%	1,694.00	29,394.00	58,730.00
08/01/2031	28,200.00	4.000%	1,140.00	29,340.00	-
02/01/2032	28,800.00	4.000%	576.00	29,376.00	58,716.00
Total	\$350,000.00	-	\$61,189.78	\$411,189.78	-

Yield Statistics

Bond Year Dollars	\$1,529.74
Average Life	4.371 Years
Average Coupon	4.0000001%
Net Interest Cost (NIC)	4.0000001%
True Interest Cost (TIC)	3.9927716%
Bond Yield for Arbitrage Purposes	3.9927711%
All Inclusive Cost (AIC)	3.9927716%

IRS Form 8038

Net Interest Cost	4.0000001%
Weighted Average Maturity	4.371 Years

City of Grand Rapids, Minnesota

\$650,000 General Obligation Equipment Certificates, Series 2024

Utility Equipment

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/05/2024	-	-	-	-	-
08/01/2025	31,000.00	4.000%	23,544.44	54,544.44	-
02/01/2026	42,200.00	4.000%	12,380.00	54,580.00	109,124.44
08/01/2026	43,000.00	4.000%	11,536.00	54,536.00	-
02/01/2027	43,900.00	4.000%	10,676.00	54,576.00	109,112.00
08/01/2027	44,700.00	4.000%	9,798.00	54,498.00	-
02/01/2028	45,600.00	4.000%	8,904.00	54,504.00	109,002.00
08/01/2028	46,600.00	4.000%	7,992.00	54,592.00	-
02/01/2029	47,500.00	4.000%	7,060.00	54,560.00	109,152.00
08/01/2029	48,400.00	4.000%	6,110.00	54,510.00	-
02/01/2030	49,400.00	4.000%	5,142.00	54,542.00	109,052.00
08/01/2030	50,400.00	4.000%	4,154.00	54,554.00	-
02/01/2031	51,400.00	4.000%	3,146.00	54,546.00	109,100.00
08/01/2031	52,400.00	4.000%	2,118.00	54,518.00	-
02/01/2032	53,500.00	4.000%	1,070.00	54,570.00	109,088.00
Total	\$650,000.00	-	\$113,630.44	\$763,630.44	-

Yield Statistics

Bond Year Dollars	\$2,840.76
Average Life	4.370 Years
Average Coupon	3.9999998%
Net Interest Cost (NIC)	3.9999998%
True Interest Cost (TIC)	3.9927708%
Bond Yield for Arbitrage Purposes	3.9927711%
All Inclusive Cost (AIC)	3.9927708%

IRS Form 8038

Net Interest Cost	3.9999998%
Weighted Average Maturity	4.370 Years

City of Grand Rapids, Minnesota

\$1,029,000 General Obligation Equipment Certificates, Series 2024

Issue Summary - Lease Option

Fixed Rate

Total Issue Sources And Uses

Dated 09/05/2024 | Delivered 09/05/2024

	City Equipment	Utility Equipment	Issue Summary
Sources Of Funds			
Par Amount of Bonds	\$361,000.00	\$668,000.00	\$1,029,000.00
Planned Issuer Equity contribution	-	225,000.00	225,000.00
Total Sources	\$361,000.00	\$893,000.00	\$1,254,000.00
Uses Of Funds			
Costs of Issuance	10,173.95	18,826.05	29,000.00
Deposit to Project Construction Fund	350,000.00	875,000.00	1,225,000.00
Rounding Amount	826.05	(826.05)	-
Total Uses	\$361,000.00	\$893,000.00	\$1,254,000.00

City of Grand Rapids, Minnesota

\$1,029,000 General Obligation Equipment Certificates, Series 2024

Issue Summary - Lease Option

Fixed Rate

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/05/2024	-	-	-	-	-
08/01/2025	40,000.00	5.430%	50,597.64	90,597.64	-
02/01/2026	65,000.00	5.430%	26,851.35	91,851.35	182,448.99
08/01/2026	66,000.00	5.430%	25,086.60	91,086.60	-
02/01/2027	68,000.00	5.430%	23,294.70	91,294.70	182,381.30
08/01/2027	69,000.00	5.430%	21,448.50	90,448.50	-
02/01/2028	72,000.00	5.430%	19,575.15	91,575.15	182,023.65
08/01/2028	74,000.00	5.430%	17,620.35	91,620.35	-
02/01/2029	76,000.00	5.430%	15,611.25	91,611.25	183,231.60
08/01/2029	77,000.00	5.430%	13,547.85	90,547.85	-
02/01/2030	80,000.00	5.430%	11,457.30	91,457.30	182,005.15
08/01/2030	82,000.00	5.430%	9,285.30	91,285.30	-
02/01/2031	85,000.00	5.430%	7,059.00	92,059.00	183,344.30
08/01/2031	86,000.00	5.430%	4,751.25	90,751.25	-
02/01/2032	89,000.00	5.430%	2,416.35	91,416.35	182,167.60
Total	\$1,029,000.00	-	\$248,602.59	\$1,277,602.59	-

Yield Statistics

Bond Year Dollars	\$4,578.32
Average Life	4.449 Years
Average Coupon	5.4299999%
Net Interest Cost (NIC)	5.4299999%
True Interest Cost (TIC)	5.4165753%
Bond Yield for Arbitrage Purposes	5.4165753%
All Inclusive Cost (AIC)	6.1657870%

IRS Form 8038

Net Interest Cost	5.4299999%
Weighted Average Maturity	4.449 Years

City of Grand Rapids, Minnesota

\$361,000 General Obligation Equipment Certificates, Series 2024

City Equipment

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/05/2024	-	-	-	-	-
08/01/2025	14,000.00	5.430%	17,750.97	31,750.97	-
02/01/2026	23,000.00	5.430%	9,421.05	32,421.05	64,172.02
08/01/2026	23,000.00	5.430%	8,796.60	31,796.60	-
02/01/2027	24,000.00	5.430%	8,172.15	32,172.15	63,968.75
08/01/2027	24,000.00	5.430%	7,520.55	31,520.55	-
02/01/2028	25,000.00	5.430%	6,868.95	31,868.95	63,389.50
08/01/2028	26,000.00	5.430%	6,190.20	32,190.20	-
02/01/2029	27,000.00	5.430%	5,484.30	32,484.30	64,674.50
08/01/2029	27,000.00	5.430%	4,751.25	31,751.25	-
02/01/2030	28,000.00	5.430%	4,018.20	32,018.20	63,769.45
08/01/2030	29,000.00	5.430%	3,258.00	32,258.00	-
02/01/2031	30,000.00	5.430%	2,470.65	32,470.65	64,728.65
08/01/2031	30,000.00	5.430%	1,656.15	31,656.15	-
02/01/2032	31,000.00	5.430%	841.65	31,841.65	63,497.80
Total	\$361,000.00	-	\$87,200.67	\$448,200.67	-

Yield Statistics

Bond Year Dollars	\$1,605.91
Average Life	4.448 Years
Average Coupon	5.4299999%
Net Interest Cost (NIC)	5.4299999%
True Interest Cost (TIC)	5.4165734%
Bond Yield for Arbitrage Purposes	5.4165753%
All Inclusive Cost (AIC)	6.1658874%

IRS Form 8038

Net Interest Cost	5.4299999%
Weighted Average Maturity	4.448 Years

City of Grand Rapids, Minnesota

\$668,000 General Obligation Equipment Certificates, Series 2024

Utility Equipment

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/05/2024	-	-	-	-	-
08/01/2025	26,000.00	5.430%	32,846.67	58,846.67	-
02/01/2026	42,000.00	5.430%	17,430.30	59,430.30	118,276.97
08/01/2026	43,000.00	5.430%	16,290.00	59,290.00	-
02/01/2027	44,000.00	5.430%	15,122.55	59,122.55	118,412.55
08/01/2027	45,000.00	5.430%	13,927.95	58,927.95	-
02/01/2028	47,000.00	5.430%	12,706.20	59,706.20	118,634.15
08/01/2028	48,000.00	5.430%	11,430.15	59,430.15	-
02/01/2029	49,000.00	5.430%	10,126.95	59,126.95	118,557.10
08/01/2029	50,000.00	5.430%	8,796.60	58,796.60	-
02/01/2030	52,000.00	5.430%	7,439.10	59,439.10	118,235.70
08/01/2030	53,000.00	5.430%	6,027.30	59,027.30	-
02/01/2031	55,000.00	5.430%	4,588.35	59,588.35	118,615.65
08/01/2031	56,000.00	5.430%	3,095.10	59,095.10	-
02/01/2032	58,000.00	5.430%	1,574.70	59,574.70	118,669.80
Total	\$668,000.00	-	\$161,401.92	\$829,401.92	-

Yield Statistics

Bond Year Dollars	\$2,972.41
Average Life	4.450 Years
Average Coupon	5.4299999%
Net Interest Cost (NIC)	5.4299999%
True Interest Cost (TIC)	5.4165763%
Bond Yield for Arbitrage Purposes	5.4165753%
All Inclusive Cost (AIC)	6.1657328%

IRS Form 8038

Net Interest Cost	5.4299999%
Weighted Average Maturity	4.450 Years



GRAND RAPIDS PUBLIC UTILITIES COMMISSION AGENDA ITEM

AGENDA DATE: March 13, 2024

AGENDA ITEM: Review fleet vehicle leasing program with Enterprise Fleet Management

PREPARED BY: Jean Lane, Steve Mattson, Chad Troumbly, & Mike LeClaire GRPU Managers

BACKGROUND:

GRPU currently has 24 vehicles in its fleet. Twelve of these vehicles are non-specialized light-heavy duty trucks. GRPU has historically purchased these light trucks as part of the annual capital budget and utilized them past their useful life. Upon replacement, the utility has received very low sale value through selling outright or auctions. This has been the past practice historically for many governments, including utilities.

The option to lease vehicles has been available in the past, yet in recent years equity leasing fleet vehicles has become a viable option for governments. This is due to car rental companies having developed leasing programs which are tailored for governments. These include streamlined acquisition (per Minnesota bid laws); financing plans; fuel programs; maintenance programs, vehicle resale, aftermarket vehicle customization; and license, title and registration features.

The lease is an “open-end lease” which is different from the traditional vehicle lease programs (closed-end leases). An open-end lease provides for equity lease, flexible terms, no mileage restrictions, no abnormal wear & tear clauses, lessee is responsible for book value at term; lessee keeps vehicle equity at term.

GRPU managers have discussed a vehicle lease program for the GRPU non-specialized light-heavy duty trucks with Enterprise Fleet Management. The City of Grand Rapids is already using a vehicle leasing program with Enterprise Fleet Management and GRPU would be considered a department under the City of Grand Rapids leasing program.

For an open-end lease program to be effective and financially advantageous, GRPU will need to commit to a vehicle leasing program for 10 years and agree to sell used vehicles when the lease program determines it is the best time financially for that sale. Which means a vehicle may only have been in the GRPU fleet for one or two years and the program determines it should be sold

financially to reap the resale value and replaced it with a new vehicle. This is a different concept for managing a government fleet vehicle program than has been historically past practice.

Key reasons for GRPU to enter an open-end equity lease program is (1) lower average age of the fleet; (2) reduce operating costs – new vehicles have lower maintenance costs; (3) maintain a manageable vehicle budget which eliminates budgeting peaks/valleys to a consent annual budget amount; (4) increased safety; (5) better mileage; and (6) program includes buying from the state bid list (pricing) and selling the used vehicles.

GRPU has the option of exiting the lease program at any time with only the agreed lease payments as outstanding obligations.

The fee for Enterprise to manage the program is 0.10 fixed fee of each lease. Terms of the lease are determined by the lessee, yet Enterprise will recommend based on type of vehicle, use of vehicle and expected miles. For example, a ½ ton pickup which is driven approximately 20,000 miles with a 60-month term. The value of the lease is based on the residual value Enterprise places on a specific vehicle. Using above example, a ½ ton pickup costing \$30,000 would have a residual value of \$10,000 which would be the value of the lease.

Committing to the lease program (10 years) could yield GRPU savings of \$14,000 by consistently renewing vehicles with an average fleet age of 2.5 to 3 years while maintaining a steady annual budget. The lease terms are defined by Enterprise based on type of vehicle and estimated usage (miles) yet there is no penalty for over mileage. The value of the lease is the difference between the price of the vehicle and the reduced book value. For example, if a new vehicle at time of lease was valued at \$40,000 and the reduced book value determined by Enterprise was \$15,000 with a lease term of 60 months then the lease payment would be $\$25,000/60 = \$416.66/\text{month}$ (\$4,999.92/year).

GRPU fleet vehicle maintenance has averaged \$14,404 over the past five years with the last three years average of \$16,356, supporting the cost of maintenance is increasing as the fleet vehicles get older.

How would GRPU manage customization of vehicles (boxes other)? The managers would make appropriate decisions on the total cost of adding any special equipment/customization. These customizations can be costly and may cause these vehicles to be kept a bit longer with a lower equity value upon sale. Because some of the vehicles in the GRPU fleet have extensive additions to the chassis, they may never be part of this program.

GRPU has identified improved safety with new vehicles. Per the National Highway Traffic Safety Administration, new vehicles safety items are continuing to be upgraded. These include equipment and technology, seat belts, air bags electronic stability control, backup camera, blind spot detection, and driver assistance. Hands free communication to GRPU cell phones is also available in some vehicle models.

Enterprise would purchase the vehicles on a fleet purchase, which would entitle them to the highest warranty option available. Most manufacturers typically offer lower warranties for retail buyers, but when buying through a fleet or state bid, they would qualify for the highest warranty available which will provide better coverage for GRPU.

Replacement of a GRPU fleet vehicle (swapping). Fleet vehicles do not need to be swapped with new vehicles until the new vehicle is ready for service (i.e. after the special equipment has been swapped or new parts installed).

The GRPU vehicle insurance would be the primary insurance coverage for the leased vehicles per the lease agreement. The LMCIT would cover the damages to any leased fleet vehicle, with GRPU paying the deductible amount. If the leased fleet vehicle damages were considered a total loss, then the amount of payoff value is the remaining balance of the lease.

GRPU has contacted peer cities with the following comments. Brainerd spoke positively, especially having new vehicles with a stable budget amount and someone else to who sells the used vehicles. Plymouth has a large fleet of vehicles and spoke positively about having new vehicles, stable budget, increased safety in vehicles, and lower costs for administering purchasing and disposing of fleet vehicles.

The 2024 approved operating budget has \$90,000 for lease payments and vehicle repairs for the three utilities.

With new vehicles, maintenance required on the GRPU fleet would diminish, which would impact labor workload with the City of Grand Rapids maintenance crew. However, the Public Works Director said that there is plenty of work for them with their large fleet vehicles and mowing equipment.

RECOMMENDATION:

Review fleet vehicle lease program with Enterprise Fleet Management and receive feedback.

GRPU Vehicle Fleet Lease 2024

Item 4.

DEPT	TRUCK #	LICENSE #	DESCRIPTION
E	64	972-644	2020 Dodge Ram 1500 Classic
E	68-B	975-033	2017 Dodge Ram 3500
W WW	71	948-744	2015 Ford F-350 Pickup w. Snowplow
W WW	73	949-953	2015 GMC Sierra (WWTP Operators)
W WW	74	948-002	2014 Ford SRW F250 2WD
W WW	76	166-274	2004 GMC Sierra (WTP)
W WW	78	926-403	2008 Ford F350 with crane
E	82	948-745	2015 Ford F-550 Flatbed Toolbox (dump)
E	83	964-099	2019 Chevrolet Silverado 2500 4WD
E	84	925-667	2009 Ford F-250 Pick-up Truck
W WW	87		2006 Ford F-150 2WD
IS	88	963-161	2021 GMC CANYON
IS			EV truck with bidirectional charging

NOT PART OF PROGRAM			
E	60	941-736	2012 Ford F550 Aerial Lift Truck
W WW	61	962-261	2017 Ford F350 w/crane
W WW	81	964-369	2019 Ford F350 4WD
E	62		2016 Kenworth Digger Derrick
E	63		2009 Ford F-750 Bucket Truck
E	69		2000 Sterling Digger Derrick
W WW	67		2018 Vactor 2100
W WW	75		2019 Freightliner, Water Truck
W WW	77 A		2012 Freightliner, dump truck
W WW	77 B		2001 Chevy Kodiak, dump truck
W WW	77 F		2010 Freightliner, dump truck
W WW	77X		2019 Freightliner, dump truck

Replacing 10 vehicles in the first year.

Item 4.

Maintenance \$89/month x 10 vehicles = \$10,710 annually

Annual lease cost

Cash received for old vehicles

Trading in leased vehicle at optimum value

Annual maint costs (new = less maint)*

Annual fuel costs (new = better mpg)

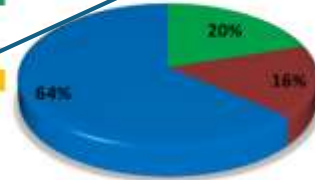
Total annual budget

Compared to original b

City of Grand Rapids - Fleet Planning Analysis

Current Fleet	10	Fleet Growth	0.00%	Proposed Fleet	10
Current Cycle	10.00	Annual Miles	5,100	Proposed Cycle	3.00
Current Maint.	\$89.25	Current MPG	14.7	Proposed Maint.	\$34.38
Maint Cents Per Mile	\$0.21			Price/Gallon	\$3.81

Fleet Costs Analysis



Trading in leased vehicles

Fiscal Year	Fleet Mix			Fleet Cost							Annual Net Cash		
	Fleet Size	Annual Needs	Owned	Leased	Purchase	Lease* Incl. Tax	Equity (Owned)	Equity (Leased)	Maintenance	Fuel		Fleet Budget	
Average	10	1.0	10	0	41,905	0	-40,000	-55,520	4,126	10,575	65,833	0	
'24	10	10	0	10	0	106,109	-40,000	-55,520	4,126	10,575	80,809	-14,976	
'25	10	0	0	10	0	106,109	0	-59,044	4,126	10,575	65,289	543	
'26	10	4	0	10	0	106,109	0	-55,520	4,126	10,575	61,765	4,068	
'27	10	4	0	10	0	106,109	0	-55,520	4,126	10,575	65,289	543	
'28	10	4	0	10	0	106,109	0	-34,576	4,126	10,575	86,233	-20,400	
'29	10	2	0	10	0	106,109	0	-114,564	4,126	10,575	6,245	59,587	
'30	10	8	0	10	0	106,109	0	0	4,126	10,575	120,809	-54,976	
'31	10	0	0	10	0	106,109	0	-55,520	4,126	10,575	65,289	543	
'32	10	4	0	10	0	106,109	0	-59,044	4,126	10,575	61,765	4,068	
'33	10	4	0	10	0	106,109	0	-90,096	4,126	10,575	30,713	35,120	
10 Year Savings											\$14,120	Net Sustainable Impact	\$8,868

Current Fleet Equity Analysis

YEAR	2024	2025	2026	2027	2028	Year Utilized
QTY	10	0	0	0	0	0
Est \$	\$4,000	\$0	\$0	\$0	\$0	\$0
TOTAL	\$40,000	\$0	\$0	\$0	\$0	\$0
Estimated Current Fleet Equity**					\$40,000	

* Lease Rates are conservative estimates
 ** Estimated Current Fleet Equity is based on the current fleet "right unseen" and can be adjusted after physical inspection
 Lease Maintenance costs are exclusive of tires unless noted on the lease rate quote.

KEY OBJECTIVES

- Lower average age of the fleet**
30% of the current light and medium duty fleet is over 10 years old. Resale of the aging fleet is significantly reduced.
- Reduce operating costs**
Newer vehicles have a significantly lower maintenance expense. Newer vehicles have increased fuel efficiency with new technology implementations.
- Maintain a manageable vehicle budget**
Challenged by inconsistent yearly budgets. Currently vehicle budget is underfunded.



* Annual maint costs are based on a national average for like vehicles, actual GRPU fleet maint expense were higher (\$14,403.28 in 2023 = \$16,802.22, 2022 = \$17,865.49, 2021 = \$14,403.28, 2020 = \$8,884.23, 2019 = \$14,065.55. As a result, the assessment provided is conservative and actually leans more favorably towards GRPU.

Replacing 10 vehicles in the first year.

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Cash received for old vehicles

Trading in leased vehicle at optimum value

Annual maint costs (new = less maint)*

Annual fuel costs (new = better mpg)

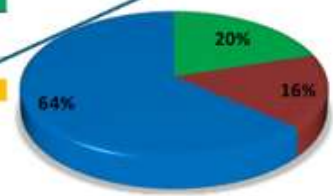
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Compared to original budget

City of Grand Rapids - Fleet Planning Analysis

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Current Cycle	10.00	Annual Miles	5,100	Proposed Cycle	3.00
Current Maint.	\$89.25			Proposed Maint.	\$34.38
Maint. Cents Per Mile	\$0.21	Current MPG	14.7	Price/Gallon	\$3.81

Fleet Costs Analysis



Trading in leased vehicles

Fiscal Year	Fleet Mix			Fleet Cost							Annual Net Cash		
	Fleet Size	Annual Needs	Owned	Leased	Purchase	Lease* Incl. Tax	Equity (Owned)	Equity (Leased)	Maintenance	Fuel		Fleet Budget	
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'33	10	4	0	10	0	106,109	0	-90,096	4,126	10,575	30,713	35,120	
10 Year Savings											\$14,120	Net Sustainable Impact	\$8,868

Current Fleet Equity Analysis

YEAR	2024	2025	2026	2027	2028	Un-Utilized
QTY	10	0	0	0	0	0
Est \$	\$4,000	\$0	\$0	\$0	\$0	\$0
TOTAL	\$40,000	\$0	\$0	\$0	\$0	\$0
Estimated Current Fleet Equity**					\$40,000	

* Lease Rates are conservative estimates
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 Lease Maintenance costs are exclusive of tires unless noted on the lease rate quote.

KEY OBJECTIVES

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