



## Finance, Affordability, Asset Management, and Efficiency Committee

# Master Equipment Lease-Purchase Financing Authorization for Metropolitan's Fleet Vehicle Replacement Program

Item 8-3

May 13, 2025

## Item 8-3

### Summary

#### Subject

Adopt a resolution authorizing a master equipment lease-purchase program of up to \$35 million outstanding balance from time to time and providing for related documents and actions.

#### Purpose

Provide the Board with an overview of Metropolitan's proposed vehicle and equipment replacement financing program and the proposed Master Lease program structure.

#### Next Steps

With Board approval of the proposed resolution, finalize and execute a Master Equipment Lease-Purchase Agreement with Banc of America Public Capital Corp (BAPCC), for an initial amount of \$35 million.

## Background

- Metropolitan maintains a large and diverse fleet with an estimated replacement value of \$180 million, consisting of over 1,000 vehicles and motorized equipment
- Budget constraints and water rate pressures led to a deferral of the timely replacement of fleet assets, resulting in a backlog of aged and worn vehicles and equipment
- In December 2024, the Board approved the financing of \$35 million of high-criticality fleet replacement needs over the current biennium
  - Zero Emission Vehicles
  - Internal Combustion Engine Vehicles
- Financing for these purchases can be accomplished in an efficient manner utilizing a Master Lease-Purchase financing program

Metropolitan's fleet replacement needs are impacted by current state regulations and deferred maintenance on its existing fleet

After a competitive procurement process, Metropolitan selected Banc of America Public Capital Corp to help establish the initial financing under a new credit structure

## Master Lease-Purchase Program

- This is a capital lease financing, not an operating lease (e.g., Enterprise, Hertz leased vehicles)
- While Metropolitan staff will continue to explore operating lease opportunities, this approach allows for the purchase of vehicles that are difficult to customize for our operational needs
- Banc of America Public Capital Corp (BAPCC) was selected as part of Metropolitan's 2025 Plan of Finance RFP for underwriting and banking needs issued by Metropolitan's CFO in September 2024
- BAPCC is the #1 market share leader among US leasing companies, offers the lowest pricing among RFP responses received, and provides the required flexibility to accommodate various vehicle purchases and timing of such purchases

BAPCC's master  
lease-purchase  
structure is flexible  
to accommodate  
Metropolitan's  
needs

## Master Lease-Purchase Structure

- Credit Lines set annually based on needs; initially set at \$35 million but capacity to increase it as needed in future years
- Master lease document will contain key terms and provisions of all subsequent “financings” under the program
- Can be used for all essential equipment purchases along with necessary charging stations (if applicable)
- Fixed rate financing set at the time of each borrowing under the Master Lease
- Repayment term based on the useful life of the vehicle/asset

The interest rate will be set at the time of each financing under the program

## Indicative Interest Rates

- The interest rate for each financing under the program will be based on several factors:
  - Useful life of the vehicle/asset
  - Requested lease term
  - Index rate at the time of financing
  - Tax-status
- Tax-exempt indicative rates as of April 10, 2025
  - 7-years: 3.5902%
  - 10-years: 3.7548%
  - 12-years: 3.9079%



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### Key Components of the Proposed Authorizing Resolution

## The Proposed Resolution

- The proposed resolution is structured to establish a new credit and program for equipment financing by Metropolitan
  - Equipment will be limited to assets that are approved by this Board
  - Provides a flexible credit structure to accommodate a Net Revenue pledge, if in the future, such a pledge is necessary
- Authorizes the Master Equipment Lease Agreements and any related documents, as determined by the Ad Hoc Committee, comprised of the Chairman of the Board, the Chairman of the FAAME Committee, and the General Manager (the “Ad Hoc Committee”)
  - The Ad Hoc Committee has been delegated similar authority in connection with the issuance of short-term certificates and refunding bonds

# Board Options

- Option #1

Adopt a resolution authorizing a master equipment lease-purchase program of up to \$35 million outstanding balance from time to time and providing for related documents and actions.

- Option #2

Do not approve a resolution authorizing a master equipment lease-purchase program and provide for related documents and actions.



# Staffs Recommendation

- Option #1

