
Financing talk

Bucher Municipal

Matthew Starnes

NCL Government Capital

Jake Ost

Learn the advantages of financing

Matt Starnes, Host:

All right, Jake Ost. Thanks for coming back to the Sweepers and Tankers Podcast. Really appreciate you making time for us. I know things are ramping up for the country, which is a very good sign right now of course. So, could you just give us a quick recap for folks that might not know who NCL is and who you are and what you do, just your elevator pitch if you will?

Jake Ost

Yeah. Perfect. And thanks again, Matt, for having me on. It was a pleasure last time. And yeah, for those who don't know who I am or what NCL does. My name is Jake Ost. I'm an Account Executive here. I work in the heavy equipment fleet supply and NCL Government Capital specializes in government financing. So, we work with city states, counties, K through 12, higher education, public schools all over the nation. When they're looking to purchase equipment and don't have all the funds available, especially now coming out of COVID and through COVID, there was a lot of budget cuts and the equipment that got pushed off. So financing is a great tool for them to still be able to keep necessary equipment, and the essential equipment updated.

Matt Starnes

All right. Very good. Yeah. I appreciate that. Always great to have you on. And I think we last time we were aiming for quarterly, we didn't quite make it, but with the situation changing, at least right now and in the US primarily, coming out of COVID, I think that's really good.

Matt Starnes

There is that sense of renewed optimism that I've been talking with people, and we were talking right before we hit the record button here that we've got quite a few trade shows, that I got so used to them being cancelled over the last year and a half, and then all of a sudden, they're just popping up and our calendar is filling up with those, which is good. And on a personal note, I'm looking forward to seeing humans in person again, which is good.

Jake Ost

It'll be nice to get out and yeah, see everybody and just continued education and just continue to build those relationships you have and help each other out in any way.

Matt Starnes

So, thinking from the last time we spoke which was at the onset of COVID to now, and I guess the main concern we talked about last time was the shrinking budgets due to tax base shrinking as well. But we have seen a lot of activity. What are you seeing right now, as far as a lot of people are starting to spend money, ourselves included, but what are you seeing out there in the trenches, if you will, Jake?

Jake Ost

Yeah. That's a great question, because it's almost like there's two different sides. There is people or municipalities that were affected by COVID and there were some that really thought they were going to be, and it didn't.

I mean, they came out ahead or in a great spot. So, really what we've seen from the financing side is the smaller municipalities, their needs are no different than large cities. They're still going to need their sewer truck, their street sweepers, their other essential equipment.

That's where financing has really been a tool for them, because last year they maybe pushed off a purchase or they were hit by decreased tax revenues. So financing is a great tool for them.

Jake Ost

On the flip side of that, there's still your municipalities that weren't affected as much, but now they're in a situation where last year they pushed off a purchase and now really, they need two units instead of one. So they're behind a year, so how do you get caught back up? Well, interest rates are still headed in a great place.

Everybody knows that they've slowly started to creep up a little bit, but it is unbelievable now compared to rising equipment costs, interest rates are still great to offset that and buy your equipment now, even if there's a lead time because we can defer the payments for up to 12 months.

Jake Ost

So, there's different scenarios going on. We also hear a lot of, there's a lot of federal money coming to government agencies right now. And I've had customers use that as down payments. I've had customers buy two pieces of equipment instead of one. So it's really a tool for them to get caught back up. And if they have all the money available, great, hey, go out and spend it.

Now, if you're a little bit short, financing part of it or half of it, whatever it may be, is still a great tool for them. So, that's a great question and there's all different scenarios that have happened because of it. But at the end of the day, we've been able to be a tool for many government agencies that are short on funds, out of funds, or have extra funds even. So...

Matt Starnes

Yeah, I think we see that in a smaller scale too, just across the US and the bottom portion of Canada, if you will. But it seems like it's fairly spread out as far as demand coming back and we've had a couple of situations when people are like, "Oh, I'll take a mechanical and a vacuum. I didn't need both kinds of sweepers, but now I'm in a..." We look at the map and we're trying to be like, "Okay, is there certain..." Like you said, some of them are smaller municipalities, just barely over that kind of threshold a lot of people look at, that 5,000 taxpayers base all the way up to huge cities across the States and Canada.

Matt Starnes

And yeah, it is strange how we think of, "Oh, they're totally wrecked because of what's happened this past year," but no. And then some places, I think we talked about last time, it's just mandated that you have these certain vehicles to pick up particulate matter and you have to have it. So I think it's a good opportunity, like you're saying, where you can bundle your purchases and you don't have to wait, you can meet those requirements for your community and keep it safe.

Matt Starnes

And on the sewer tanker side of things, it's kind of interesting that they're actually able to detect amounts of COVID and different strains and these types of things in the sewer water. So it's just, I don't know, it's really how far reaching, but I think it's a really good time to go ahead and make those purchases you might've been putting off. And as we've learned, you never know what tomorrow brings, so you might as well do it while you can. Not be cryptic, but...

Jake Ost

Absolutely. Yeah, you're right. It is a great time. And it's a big push now for clean air, clean water. Well, how do you accomplish that? It's keeping your streets clean, keeping your septic lines clean. So, great products you guys sell and we're happy to always work with you guys and your customers to get them all their equipment. So...

Matt Starnes

Jake, there's one thing I think a couple of people had asked me about after our last podcast episode together, was for you to next time explain a little bit more about how deferred payments work, because I think people really don't grasp it. And I'll be honest, I'm not in it as much as you are, but it's taken me a little while to grasp it. Could you just explain it in simple terms for folks to...

Jake Ost

Yeah. So, I mean, just think of it as, if you buy something today, May 26th, 2021. If we closed on documents today, we get that equipment ordered, you're not making a payment until May 26th of next year. So, huge solution for customers right now. Like I said, that there's lead times out there.

We all know what's going on in the market with tougher with the chassis or there's body companies that are behind or whatever it may be, parts, but being able to order the equipment now and not having to make a payment through all that lead time, you can even take ownership to the equipment.

It could be six months, it could be two months before your payment, that doesn't matter to us. You're still not making a payment until a year from close date.

Jake Ost

So, there's two things there that are a great solution for the customer and one, they're locking in this year's pricing, right? So even if prices go up, you're locking in this year pricing and getting that equipment on order. On the other thing, you're locking in an interest rate that's still really low.

So, you combine that, you're locking in a low interest rate, you're not getting that, say, 3% to 5% increase of your equipment costs, which there's been a lot of people in the market that say, it could be a lot more than that in the coming years because of prices of steel and the prices. It's harder to get parts and it's harder to get any product. So, what happens? Eventually that's passed on to the customer.

Jake Ost

So, being able to lock everything in, get it on order, you know that equipment's coming. And that way, your money goes in an escrow account, it's protected, your rate and your payment are protected.

That can't change. And you guys are the manufacturer, the dealer can deliver it whenever and that customer can take ownership and start using that equipment even if it's before that first payment.

So it's a great solution right now especially. We offer it all the time, but through COVID, now it's really requested quite a bit. We're doing it with a lot of customers because it is a great solution for everyone.

Matt Starnes

Thank you for that explanation. I think that's really, really important, especially the part that I know that's appealing for a lot of people, I speak too, is like you said, locking in that low interest rate. So even though something might not be in stock or something's on order a special or something like that, it doesn't matter what the interest rates do later, you've got it locked in, you're set. It's like you bought it right then. So, that's really powerful, I think. So, I appreciate you emphasizing that.

Matt Starnes

So, Jake, the other question people talked about last time, or we had feedback on was that people really liked you explaining that the lease of municipal street sweeper or sewer cleaner, municipal equipment is not exactly like a car lease. Can you explain how it differs with which one of those options that you can do? Or...

Jake Ost

Yeah, it's great because a lot of people hear the word lease and they run for the hills, because they think of a traditional lease like you and I going out and buying a pickup truck and you have mileage restrictions and at the end, you got this big balloon payment if you want to purchase it or do something with it now.

Now we still can do that structure for a government agency with a street sweeper or whatever it might be, but most of our customers take advantage of a tax-exempt municipal lease and really, that's a glorified loan with added benefit.

Jake Ost

So, you really have to think of it as just a financing tool, take the word lease even out of the thing. It's really financing equipment because they have ownership, they own that equipment or just a secure party at the end of the term, after the last payment, they own it, our lien comes off. So, if they did a five-year exempt lease to own, really you got to think of it as five one-year obligations as well, because of that not appropriation clause.

Jake Ost

So, say it's a \$250,000 sweeper, well you don't have to budget for \$250,000 this year, you only have to budget for the annual payment. So that's a huge solution for a lot of customers because, "Hey, we got \$60,000 in the budget. We don't have \$250,000."

Well great, if you have \$60,000 every year, you can get that sweeper, because of that not appropriation clause. And that's where we come into play and talk with these customers and help them understand that it's not considered legal long-term debt, because you can't pass future board members on that long-term debt.

So, a tax exempt municipal lease, like I said, just think of it really as a great finance solution and take the word lease out of it because that really helps customers get the ease or put them at ease that, "Hey, we're not leasing this with restrictions or whatever it may be."

Matt Starnes

That's a great way to look at it too, is it's the yearly payment, if you will, rather than the whole amount that the value of the vehicle that's out there. So that's really good. Besides deferred payments, are there any other finance options that you typically go through with municipalities? Or...

Jake Ost

Every situation is customized. We like to be involved with the customer at the end of the day, working with the dealer, working with the customer, or whoever it may be from it could be a manufacturer level sales employee, but really to customize and understand their needs, asking simple questions, "What are your intentions at the end of the term? Is there a specific amount you have to stay under for budget wise?"

What's the term you want to see?" So really, instead of... We're not your typical lender that has a box that customers have to fit in in order for it to work, we really start to build that box around every customer and try to make sure our solution is working for them because at the end of the day, if it doesn't work, they're not going to be able to get the essential equipment they need.

Jake Ost

So, being flexible, being creative, looking at different structures from a taxes, at least maybe do a fair market value, at least how can we get the payment where they need it to be? The first payment, "Do you want to make a payment right now?"

Do you have money you have to use in this year's budget? Or the use it or lose it situation?" Well, let's get a down payment put down on that equipment and then have your payment the following year or deferred payments, whatever it may be from monthly, quarterly, semi-annual, annual.

I have customers choose all different ones. It's really, maybe when are your tax revenues coming in? When does your fiscal year start? A lot of customers choose payments based around those. Everything is customized so much that there's never a solution that's really identical to another because everybody's needs are different.

Matt Starnes

Very good. Very good. I think that's reassuring that there's a lot of flexibility in there and that it's not just a cookie cutter solution by any means. So there's...

Jake Ost

I know, not at all.

Matt Starnes

One thing we didn't speak about last time, so I'm glad we're doing this again today, is the finance calculator that you offer, and we have it on our website on the finance page, but can you explain what the benefits of that are exactly, what it is?

Jake Ost

Yeah. It's a great tool for customers to understand a rough ballpark where they're going to be. Now, it only calculates monthly payments, and you might want quarterly or annual, but that's where we get involved after the fact.

But understanding if you're going through a budgeting process or you're trying to look at purchasing a piece of equipment, you're able to go right on your guys' website, type in a rough dollar amount, again say \$250,000 if you know roughly what it's going to cost, so you can calculate, "Okay, this is what we're going to need to budget in for future purchases."

A rough idea where we're going to be at maybe in five years, you can take that 60-month payment and just multiply it by 12, so you have your annual payment, whatever it may be.

Jake Ost

It's really a tool to just help customers budget, help see where they're at, like we spoke about before we got on here, when you're going out and buying a vehicle, if you're going to finance it, the first thing you want to know is, "Hey, what's my payment going to be a month?" Can I afford this?" It's no different for a government agency. "Hey, what are we going to be looking at annually for payments?" So that's what it's designed for, a tool to help customers budget and understand their needs and how they can accomplish those.

Matt Starnes

Very good. Very good. Yeah. And in the show notes, I'll put a link to that on our website. I think folks will get a real big benefit from that, for sure, for sure.

Jake Ost

For sure. Yeah.

Matt Starnes

Well, anything else you're hearing, or you think people should... Any other message you want to leave with our gentle viewers and listeners?

Jake Ost

Yeah. I mean, I would just say, if you hear the word lease, don't think of that as traditional. Like we said before, there's different structures available and if you're pushing off purchases due to budget constraints, just reach out to me.

Even if you've never financed anything before or leased anything, having a conversation and understanding how it can benefit you a lot of times gets customers over that edge where they really don't understand it and that's why they've never done it before. So there's a lot of benefits to government agencies to lease or finance.

Jake Ost

A lot of times they might be getting grant money or right now, I mean federal money. And they're like, "Well, we got some of it. We don't have all of it. So how do we get you that equipment?" Don't be afraid to reach out and at least ask questions, because at the end of the day, if you're asking questions, it might be a great solution for you.

Or maybe it's not, maybe it's something you just decide not to do, but without having those numbers in front of you and understanding, "Hey, we've got a budget for X amount of dollars a year, not the full amount," how the whole structure can benefit every agency.

Jake Ost

It's really a great tool and a lot of agencies take advantage of it. It's growing more and more. And also keep in mind that just like Bucher Municipal, the NCL Government Capital has an awarded contract and that's the resource well.

So, now you have a turnkey solution where you can purchase equipment off contract, you can finance off contract, there's no need to duplicate the process of a bid. It's already been done on your behalf. You can get quality equipment, great financing solutions and leasing solutions all off contracts.

Jake Ost

So that it's a very quick tool to be able to get done. You don't have the months and the money you spend, because everybody's time is worth money, especially now. People are going to be getting busy and there's a lot more movement going on this year with budgets and purchases.

So, how do you organize your time, let's say? And that's looking at contracted or purchasing and financing, because it's growing rapidly in the States. That's for sure.

Matt Starnes

Absolutely. Absolutely. Well, I think that's a good thing too. It's one of those old lotto key phrases back, catchphrases back in the day was, "You got to be in it to win it," so you at least have to ask that question. And I mean, it's going to be a no if you don't ask, like they always say, but my goodness, you could really get the equipment that you desperately need right now. So I think that's really good.

Matt Starnes

So, how can folks get in contact with you? And before you answer, I just want to let folks know too, Jake is the fastest responder to email, phone, text that I've ever seen, anybody I deal with. So he will get back to you really quickly. And as you've seen on this video and you're hearing on the audio podcast as well, he's very approachable, he's very down to earth, so there's no real pressure. It's just a conversation, sort of like this. This is how Jake is, so, but anyway, how can folks reach you, Jake?

Jake Ost

Great information, Matt. Thanks for talking me up like that. I appreciate that. But like I said, everybody's time is worth money and I don't want to waste anybody's time either. So, getting them the right information when they need it, that's key.

Jake Ost

But yeah, I mean, anybody please reach out to me anytime. Our number here at the office is 320-763-7600. And my email is just jakeo@nclgovcap.com. So two ways to get a hold of me. And I know our information is on your guys' website as well.

Matt Starnes

It is. Okay. Well, hey Jake, I really appreciate it, and yeah, let's hang for next quarter as well. Let's reconnect, because as we've learned, things are changing rapidly here to say the least.

Jake Ost

Changed drastically since we last talked and hopefully the next time we talk, we're back to normal, whatever that may be, but back to normal and everybody's getting out there and going back to the way of life that we knew here about a year and a half ago, so...

Matt Starnes

That's right. All right, Jake. Thanks so much.

Matt Starnes

Hey, take care. Thank you.