



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 8/23/04
04-408

Communication No.:

Agenda Item Type: Resolution
No.:

Roll Call

Submitted by: Merrill Stanley, Finance Director

SUBJECT—

Approving issuance of Request for Proposals for a Master Lease-Purchase Agreement.

SYNOPSIS—

Approving issuance of Request for Proposals for a Master Lease-Purchase Agreement to continue the source of efficient, low-cost equipment financing that has been available for the past five years.

FISCAL IMPACT—

Borrowing costs under the lease-purchase will be determined by the interest rate market at the time of the lease. The RFP seeks an interest rate tied to the U.S. Treasury Note at the time of the borrowing. Proposals will quote rates as a fixed percentage of the U.S. Treasury Note as reported in the Wall Street Journal five days prior to closing. Lease-purchases do not count against the City's general obligation debt limit.

RECOMMENDATION—

Approval

BACKGROUND—

On November 1, 1999, by Roll Call No. 99-3389 and 99-3425, the City Council approved the selection of Banc (sic) of America Leasing & Capital, LLC, as the City's Master Lease-Purchase provider for a three-year term with two one-year renewal options. There have been 15 lease-purchase actions totaling \$8,486,979.64 approved by Council under this contract, involving equipment purchased for the Airport, Solid Waste, and Storm Water Utility. The total amount originally authorized for issuance was \$6,000,000, but with the ease of use and cost effectiveness realized, the authorized amount was increased by Council to \$9,000,000.

A history of supplements and their amounts follows:

<u>Supplement No.</u>	<u>Amount</u>	<u>Fund Source</u>
1	\$ 161,000.00	Storm water
2	359,739.00	Airport
3	499,119.00	Airport
4	331,955.00	Airport
5	806,457.00	Airport
6	354,656.00	Solid Waste
7	81,268.75	Solid Waste
8	934,722.00	Solid Waste
9	805,345.00	Airport
10	335,946.00	Solid Waste
11	393,690.00	Solid Waste
12	2,190,100.00	Solid Waste
13	509,396.00	Solid Waste
14	51,495.89	General Fund – Public Information
Office		
15	<u>672,090.00</u>	Solid Waste
Total	\$8,486,979.64	

The advantages of using the Master Lease-Purchase Agreement include having a credit facility in place that allows financing of equipment on an as-needed basis instead of waiting until the annual general obligation bond issue each June, or incurring the issuance costs associated with individual revenue bond issues. Lease-purchase supplements have very low issuance costs and the repayment term can be set for 3 to 10 years, depending on the expected useful lives of the equipment. In addition, the debt does not count against the City's general obligation debt limit.