



Legislation Details (With Text)

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Title: RESOLUTION - Authorizing the execution and delivery of a Master Equipment Lease Purchase Agreement and certain separate lease schedules with respect to the acquisition, purchase, financing and leasing of equipment for the public benefit; and authorizing the execution and delivery of documents required in connection therewith.

Sponsors: Finance Department

Indexes:

Code sections:

Attachments: 1. Resolution (CAO Initialed).pdf, 2. Master Equipment Lease Purchase Agreement (Signed by BAPCC).pdf

Date	Ver.	Action By	Action	Result
12/6/2018	1	City Council	approved	Pass

REPORT TO THE CITY COUNCIL

December 6, 2018

FROM: MICHAEL LIMA, Finance Director/City Controller
Finance Department

BY: PHILLIP L. HARDCASTLE, Principal Accountant - Debt Administration
Finance Department

SUBJECT:

RESOLUTION - Authorizing the execution and delivery of a Master Equipment Lease Purchase Agreement and certain separate lease schedules with respect to the acquisition, purchase, financing and leasing of equipment for the public benefit; and authorizing the execution and delivery of documents required in connection therewith.

RECOMMENDATION(S)

Staff recommends that the Council adopt the accompanying resolution and thereby approve a Master Equipment Lease Purchase Agreement with Banc of America Public Capital Corp. This agreement is necessary to provide lease-purchase financing of City equipment.

EXECUTIVE SUMMARY

Staff is recommending that Council approve a Master Equipment Lease Purchase Agreement (MELPA) with Banc of America Public Capital Corp (BAPCC) in order to fund equipment purchases which have been/will be approved as part of current and future Adopted Budgets, and other equipment as approved by the City Council. A MELPA provides a ready-to-use mechanism to finance equipment purchases over time. The City has had this type of lease arrangement in place for several years. This agreement is necessary to provide quick lease purchase financing of City equipment. Rates will be determined at the time of financing, based on a Spread that is between 0.5902% and 1.0151% above an agreed upon index (the "Average-Life Swap Rate x 79%") effective immediately upon approval of the Council.

BACKGROUND

On September 18, 2018, the City requested proposals for a Master Equipment Lease Purchase Agreement ("MELPA") from local, regional and national financing institutions. An MELPA provides a ready-to-use mechanism to finance equipment purchases over time. The City has had this type of lease arrangement in place for several years. A new MELPA is needed as the City reached its maximum funding amount on the previous MELPA on November 9, 2018, and the City has financing needs approved in the FY 2019 budget which cannot be purchased without lease financing.

MELPAs are a common form of financing. The City has used MELPAs over the years to lease-purchase fire apparatus, police vehicles (including helicopters), telecommunications, computers, building improvements, and software licenses. The MELPA does not approve the purchase or the financing of any equipment. It simply provides a mechanism to fund equipment that has already been approved for purchase and financing by the City Council.

The proposed MELPA is with BAPCC. BAPCC was selected by staff as the most responsive firm to the City's proposal specifications. 311 firms were asked to submit a proposal, including local firms, sixteen of whom have previously solicited the City for these types of services. Two firms submitted proposals: BAPCC and Signature Public Funding Corp. Both firms were evaluated against criteria that emphasized experience, qualifications, competitive pricing, and responsiveness to the specifications. BAPCC was recommended by the selection committee on the basis of their experience, qualifications and responsiveness.

The proposed MELPA with BAPCC will provide for lease financing of City needs over the next three years, up to a maximum aggregate leasing of \$65 million. The contract also provides for two 1-year extensions by mutual agreement if the \$65 million has not be utilized by the end of the initial three year term.

The lease rate has been structured so that it is set each time the City needs to lease purchase equipment. The lease rate is set by adding a fixed percentage to 79 percent of the Average-Life Swap Rate (Index) for the number of years approved by the Council on each individual lease. Rate spreads are between 59.02 and 101.51 basis points above 79 percent of the Index. For lease terms of two years, the one-year Index is used. For lease terms of three and four years, the two-year Index is used. For lease terms of five and six years, the three-year Index is used. For lease terms of seven and eight years, the four-year Index is used. For lease terms of nine and ten years, the five-year Index is used. A structure of this type is common and provides the lessor and lessee with market-level lease rates at the time a lease purchase is transacted. The Index can be found on the Intercontinental Exchange Inc. website at <https://www.theice.com/marketdata/reports/180>.

The City Attorney's Office has reviewed the MELPA and approved as to form. It is on file with the City Clerk's Office for review.

ENVIRONMENTAL FINDINGS

This item is not a project of the City of Fresno and as such, the California Environmental Quality Act requirements are not applicable.

LOCAL PREFERENCES

Local preference was considered in the evaluation of the documents and pricing. Neither firm has a local presence.

FISCAL IMPACT

Adopting the resolution approving the MELPA allows City Departments to finance certain equipment through lease-purchase under this agreement, subject to meeting any competitive procurement, budgeting, and appropriation requirements. There is no concurrent fiscal impact. Not approving the resolution will require the City to reconsider or delay certain acquisitions or find alternative funding sources to purchase items.

Attachments: Resolution
 Master Equipment Lease Purchase Agreement