

Agenda Report

December 12, 2011

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Director of Finance

SUBJECT: RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A MASTER LEASE PURCHASE AGREEMENT FOR AREA RAPID TRANSIT SYSTEM BUSES, A LEASE SCHEDULE, A LEASE SCHEDULE ADDENDUM REGARDING INSURANCE, VEHICLE INSURANCE ADDENDUM AND PREPAYMENT SCHEDULE ADDENDUM, A CERTIFICATE OF INCUMBENCY, A PROCEEDS DISBURSEMENT AUTHORIZATION, AN AGENCY AGREEMENT, AN ARBITRAGE CERTIFICATE AND OTHER DOCUMENTS IN CONNECTION THEREWITH.

RECOMMENDATION:

It is recommended that the City Council adopt a Resolution:

1. Authorizing a Master Lease Purchase Agreement for Area Rapid Transit System (ARTS) Buses in an amount not to exceed \$2,073,000 with JP Morgan/Chase Bank;
2. Authorizing the execution and delivery of a Master Lease Purchase Agreement, a Lease Schedule, a Lease Schedule Addendum, a Certificate of Incumbency, a Proceeds Disbursement Authorization, an Agency Agreement, an Arbitrage Certificate, and other documents in connection thereto;
3. Authorizing the City Manager or the Director of Finance to execute the documents on behalf of the City.

approval of the lease financing. Due to the essential use of the equipment, only the City attorney's opinion is required. No tax opinion from outside bond counsel is required by the lender.

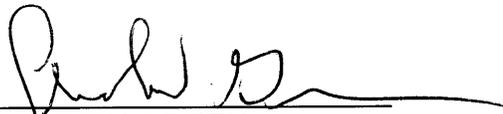
COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goal to maintain fiscal responsibility and stability.

FISCAL IMPACT:

The lease/purchase financing is a General Fund credit financing; therefore, the General Fund is the obligor for the lease payments and acts as a conduit on this financing for the Transportation Sales Tax Fund 208 – Proposition A. The annual lease payment will be \$233,405 and is included in the existing Transportation Sales Tax Fund 208 – Proposition A budgeted appropriation for fiscal year 2012. There is no additional cost to the City such as points, bank fees or legal fees related to this financing. There is no anticipated impact to other operational programs or capital projects as a result of this action.

Respectfully submitted,



ANDREW GREEN
Director of Finance

Prepared by:



Vic Erganian
Deputy Director of Finance/City Treasurer

Approved by:



MICHAEL J. BECK
City Manager

Attachment A: Financing documents package

BACKGROUND:

Periodically, the City finances capital equipment for various municipal operations within different departments by issuing equipment financings. These financings allow the departments to newly purchase or replace old, inefficient equipment that is fully depreciated with newer, more efficient equipment. The last equipment financing the City Council approved was in 2009. The 2009 financing was an equipment lease to finance the acquisition of a helicopter, the Interagency Communications Interoperability System (ICIS), and other information technology equipment.

Proposed Lease Financing of 15 Transit Vehicles for the Department of Transportation

On December 5, 2011, City Council approved the purchase 15 transit vehicles for use in the Pasadena Area Rapid Transit System (ARTS). The cost of this project was estimated at \$4,473,000 of which \$2,073,000 was to be financed.

The 15 compressed natural gas (CNG) fueled ARTS buses will improve service quality, help meet existing ridership demand, and keep the City in compliance with California Air Resources Board's (CARB) heavy-duty vehicle fleet regulations by replacing 15 diesel-fueled buses which have exceeded their useful life cycles. The purchase of these replacement buses will help minimize service interruptions due to vehicle reliability problems and provide more seamless travel for ARTS passengers.

The vehicles to be purchased are:

- 5, cut-away style, Class C, 25-foot CNG Ford Starcraft Allstar shuttle buses with 20 passenger capacity and;
- 10, 32-foot CNG El Dorado E-Z Rider II BRT buses. The 32-foot vehicles are low floor, heavy-duty transit buses with 30 passenger capacity

The Financing

In October 2011, Finance Department solicited various lenders for a lease purchase financing including local banks in the City of Pasadena and obtained several bids for the proposed financing. The lowest bid, in terms of interest rate, was received from JPMorgan/Chase bank. The Department of Finance secured a ten year financing with the bank in an amount of \$2,072,805.25 at a fixed interest rate of 2.28% per annum.

Proceeds from this financing will be deposited in an account with the City and invested until the buses are acquired. Staff anticipates closing the recommended financing and funding the acquisition account in December 2011, after Council's

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A MASTER LEASE PURCHASE AGREEMENT FOR AREA RAPID TRANSIT BUSES , A LEASE SCHEDULE, A LEASE SCHEDULE ADDENDUM REGARDING INSURANCE, VEHICLE INSURANCE ADDENDUM AND PREPAYMENT SCHEDULE ADDENDUM, A CERTIFICATE OF INCUMBENCY, A PROCEEDS DISBURSEMENT AUTHORIZATION, AN AGENCY AGREEMENT, AN ARBITRAGE CERTIFICATE , AND RELATED INSTRUMENTS, AND OTHER DOCUMENTS IN CONNECTION THEREWITH

WHEREAS, the governing body of CITY OF PASADENA (“Lessee”) desires to obtain certain equipment (the “Equipment”) described in Equipment Schedule No. 01 to the Master Lease Agreement (collectively, the “Lease”) with J. P. Morgan/Chase, the form of which has been available for review by the governing body of Lessee prior to the regular meeting of December 12, 2011 (“meeting”); and

WHEREAS, the above Lessee is a political subdivision of the State in which Lessee is located (the “State”) and is duly organized and existing pursuant to the constitution and laws of the State.

WHEREAS, PURSUANT TO APPLICABLE LAW, THE GOVERNING BODY OF THE Lessee (“Governing Body”) is authorized to acquire, dispose of and encumber real and personal property, including, without limitation, rights and interests in property, leases and easements necessary to the functions or operations of the Lessee.

WHEREAS, the Equipment is essential for the Lessee to perform its governmental functions; and

WHEREAS, the Governing body hereby finds and determines that the execution of one or more lease-purchase agreements (“Equipment Leases”) in the principal amount not exceeding \$2,073,000 (“Principal Amount”) for the purpose of acquiring the property generally described below (“Property”) and to be described more specifically in the Equipment Leases, in essentially the form attached hereto, is appropriate and necessary to the functions and operations of the Lessee.

WHEREAS, the Lessee may pay certain capital expenditures in connection with the Property prior to its receipt of proceeds of the Equipment Leases (“Lease Purchase Proceeds”) for such expenditures and such expenditures are not expected to exceed the Principal Amount.

WHEREAS, the U.S. Treasury Department regulations do not allow the proceeds of a tax-exempt borrowing to be spent on working capital and the Lessee shall hereby declare its official intent to be reimbursed for any capital expenditures for Property from the Lease Purchase Proceeds.

NOW, THEREFORE, Be It Resolved by the Governing Body of the Lessee:

SECTION 1. Either one of the Director of Finance or the City Manager, (each an “Authorized Representative”) acting on behalf of the Lessee is hereby authorized to negotiate, enter into, execute, and deliver one or more Equipment Leases in substantially the form set forth in the document presently before the Governing Body, which document is available for public inspection at the office of the Lessee. Each Authorized Representative acting on behalf of the Lessee is hereby authorized to negotiate, enter into, execute, and deliver such other documents related to the Equipment Lease (including, but not limited to, escrow agreements) as the Authorized Representative deems necessary and appropriate. All other related contracts and agreements necessary and incidental to the Equipment Leases are hereby authorized.

SECTION 2. By a written instrument signed by any Authorized Representative, said Authorized Representative may designate specifically identified officers or employees of the Lessee to execute and deliver agreements and documents relating to the Equipment Leases on behalf of the Lessee.

SECTION 3. The aggregate original principal amount of the Equipment Leases shall not exceed the Principal Amount and shall bear interest as set forth in the Equipment Leases and the Equipment Leases shall contain such options to purchase by the Lessee as set forth therein.

SECTION 4. The Lessee’s obligations under the Equipment Leases shall be subject to annual appropriation or renewal by the Governing Body as set forth in each Equipment Lease and the Lessee’s obligations under the Equipment Leases shall not constitute a general obligation of the Lessee or indebtedness under the Constitution or laws of the State.

SECTION 5. The Governing Body of Lessee anticipates that the Lessee may pay certain capital expenditures in connection with the Property prior to the receipt of the Lease Purchase Proceeds for the Property. The Governing Body of Lessee hereby declares the Lessee’s official intent to use the Lease Purchas Proceeds to reimburse itself for Property expenditures. This section of the Resolution is adopted by the Governing Body of Lessee for the purpose of establishing compliance with the requirements of Section 1.150-2 of Treasury Regulations. This section of the Resolution does not bind the Lessee to make any expenditure, incur any indebtedness, or proceed with the purchase of the Property.

SECTION 6. This Resolution shall take effect immediately upon its adoption and approval.

ADOPTED at a regular meeting of the City Council this 12th day of December, 2011 by the following votes:

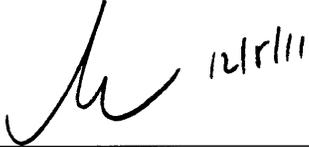
AYES:

NOES:

ABSENT:

APPROVED AS TO FORM:

ATTEST:



for Michele Beal Bagneris
City Attorney

Mark Jomsky
City Clerk