



Agenda Report

March 25, 2019

TO: Honorable Mayor and City Council
THROUGH: Finance Committee
FROM: Department of Finance
SUBJECT: RESOLUTION AUTHORIZING THE FINANCING OF THE PARKING ACCESS AND REVENUE CONTROL SYSTEM (PARCS)

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to California Environmental Quality Act (CEQA) as defined in section 21065 of CEQA and section 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and
2. Adopt a Resolution of the City of Pasadena authorizing the execution and delivery of a lease schedule No.1000145174, an escrow agreement, and related instruments, and declaring its intention to reimburse itself from the proceeds of one or more tax-exempt financings for certain expenditures made and/or to be made in connection with the acquisition, construction, and equipping of certain Parking Access and Revenue Control System; and
3. Grant an exemption from the Competitive Selection process pursuant to Pasadena Municipal Code Section 4.08.049(B) contracts for which the City's best interests are served.

BACKGROUND:

Periodically, the City finances capital equipment for various municipal operations within different departments by issuing equipment financings. These financings allow the City to purchase or replace old, inefficient, fully depreciated equipment with newer, more efficient equipment.

On December 10, 2018, the City Council approved the issuance of a contract to TIBA Parking, Inc. in an amount not to exceed \$4,117,000 for the purchase of a Parking

Access and Revenue Control System (PARCS) for eight of nine city-owned parking garages. This Council action included appropriating \$3,258,694 from Fund 407 Off-Street Parking Facilities unappropriated fund balance for the capital purchase and \$858,406 from future Fund 407 Off-Street Parking Facilities annual operating budgets for future maintenance costs. The proposed action will put in place a lease purchase financing agreement for the PARCS that was purchased in the amount of \$3,258,694, as part of the plan outlined in the agenda report dated December 10, 2018. The \$3,258,594 purchase price will be paid in four installments with the first payment expected on April 30, 2019. The plan is to close the financing on April 1st, 2019 and make all the required installments payments to the vendor for the equipment purchase from the financing proceeds which will be deposited into an escrow account.

PARCS is a real-time computerized parking system for transient and monthly customers in parking garages. This system allows the City to control access and collect parking revenues from parkers in the City's garages.

The City owns nine parking garages located in the Civic Center and Old Pasadena. The current PARCS in the three Old Pasadena garages (Schoolhouse, DeLacey and Marriott) is a product of Zeag and was installed in 2005. The PARCS currently installed in five of the Civic Center garages (Holly, Paseo Subterranean, Los Robles, Marengo and Del Mar) is a product of SkiData and was installed in the Paseo garages (Paseo Subterranean, Los Robles and Marengo garage) in 2000; in the Del Mar garage in 2006; and in the Holly garage in 2005. The PARCS in each of these eight garages has reached the end of, or far exceeded, its useful life and needs to be replaced. PARCS useful life is generally eight to ten years.

In February 2019, the Department of Finance solicited various lenders for lease purchase financing and obtained four bids for a master lease equipment financing. The lowest bid in terms of interest rate was received from JP Morgan/Chase Bank at a true interest cost of 2.67%, for a term of seven years.

Proceeds from this financing will be remitted to the City once the Department of Transportation provides verification of payment of the equipment. Staff anticipates closing the recommended financing and funding the acquisition account on April 1, 2019, after the City Council's approval of the lease financing.

The Internal Revenue Service (IRS) revised its regulations concerning the use of tax-exempt bonds to reimburse expenditures made prior to the date of the financing. Under the IRS regulations, the proceeds of bonds may be allocated to a prior capital expenditure for a period of time after the expenditure is made, but only if a formal declaration of reasonable intention to reimburse the expenditure with the proceeds of a borrowing (a "declaration of official intent") has been properly made.

The recommended declaration of official intent in the Resolution allows the City to reimburse itself, from future tax-exempt financings, for certain capital expenditures paid up to sixty days prior to adoption of this Resolution, and the allocation of proceeds of the financing to such reimbursement has to be made not later than the later of: (a) 18

months after the date of payment of the reimbursable expenditure; or (b) 18 months after the date upon which the project is placed in service or abandoned, but in no event more than three years after the date of payment of the reimbursable expenditure. This action does not commit the City to any obligation. It merely provides the flexibility to capitalize expenditures into future tax-exempt financings. Simply stated, the declaration of intent in the Resolution is a tool that provides the City the ability to reimburse itself for any current expenditures it makes on capital projects from proceeds of future tax-exempt financing. Without this Resolution, all current payments made on capital projects will be expensed instead of being capitalized as assets on the City's financial statements.

ENVIRONMENTAL ANALYSIS:

The proposed actions are governmental fiscal activities that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project to CEQA, no environmental document is required.

COUNCIL POLICY CONSIDERATION

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

FISCAL IMPACT:

Pursuant to Senate Bill 450, the true interest cost of this financing will be 2.67% for a term of 84 months or seven years. The amount of proceeds from the financing will be \$3,252,694 which will be funded into an escrow account to be held at Deutsche Bank Trust Company. The semi-annual payments will be \$256,265.89 for a total aggregate payment of \$3,587,722.46 over the term of the financing. The only issuance cost associated with this transaction will be \$5,000 in legal fees payable to the firm of Nixon Peabody, bond counsel to the transaction.

Respectfully submitted,



MATTHEW E. HAWKESWORTH
Director of Finance

Prepared by:



Vic Erganian
Deputy Director of Finance/City Treasurer

Approved by:



STEVE MERMELL
City Manager

Attachments:

Lease schedule 1001145174, payment schedule and lease related documents
Escrow Agreement and related documents
Escrow Funding Schedule Addendum and Arbitrage Certificate