

# Agenda Report

**TO:** CITY COUNCIL **DATE:** July 17, 2006  
**FROM:** CITY MANAGER  
**SUBJECT:** REIMBURSEMENT RESOLUTION RELATED TO THE  
EQUIPMENT LEASE WITH BANK OF AMERICA LEASING AND  
CAPITAL, LLC.

## **RECOMMENDATION**

It is recommended that the City Council adopt a Resolution declaring its intention to reimburse itself from the proceeds of the Equipment Lease Line of Credit for certain expenditures made and/or to be made in connection with the acquisition of equipment of certain capital improvements under the Master Equipment Lease/Purchase Agreement with Bank of America Leasing and Capital, LLC.

## **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 ones.

Finance Department has secured a lease/purchase equipment financing line of credit with Bank of America Leasing and Capital, LLC for an amount of \$5 million. Finance has also negotiated a forward rate lock to be held until December 28, 2006. The \$5 million amount may be increased at the City's request with the bank's internal approval process. The City has full control as to when to draw

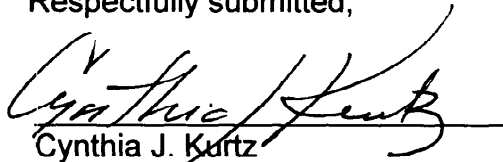
funds and lease purchase equipment. At each draw on the line of credit, the interest rate on the lease will be set at the then prevailing rates based on the above tax-exempt interest rate formula. Staff does not anticipate any expenses on standard equipment under this financing. Due to the size of the transaction and the essential use of the equipment, no tax opinion from outside bond counsel is contemplated.

The requested resolution allows the City to reimburse itself for certain expenditures made for capital acquisitions to be leased under the Master Lease Agreement. The Reimbursement Resolution provides the City the ability to reimburse itself for expenditures made 60 days prior to this resolution and up to 18 months from the date of the expenditures are made or the equipment is placed in service.

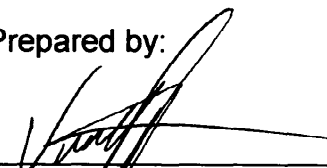
**FISCAL IMPACT**

There is no fiscal impact

Respectfully submitted,

  
Cynthia J. Kurtz  
City Manager

Prepared by:

  
\_\_\_\_\_  
Vic Ergonjian  
City Treasurer

Approved by:

  
\_\_\_\_\_  
Steve Mermell  
Acting Director of Finance

RESOLUTION NO. \_\_\_\_

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA  
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 OF CERTAIN CAPITAL  
ASSETS**

WHEREAS, the City of Pasadena (the "City") is a political subdivision organized and existing under the laws of the State of California; and

WHEREAS, the City has paid, beginning no earlier than July 1, 2006, and will pay, on and after the date hereof, certain expenditures (the "Expenditures") in connection with the acquisition of certain capital equipment (the "Project"), as more fully described in Exhibit A attached hereto; and

WHEREAS, the City Council of the City (the "City Council") has determined that those moneys previously advanced no more than 60 days prior to the date hereof and to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period and it is necessary to reimburse the City for the Expenditures from the proceeds of one or more draws under a Master Lease/Purchase Agreement anticipated to be entered into by the City, the payments to be made by the City under which will be tax-exempt (the "Financings");

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL AS FOLLOWS:

Section 1. The City Council hereby declares the City's intent to reimburse the City with the proceeds of the Financing for the Expenditures with respect to the Project made on and after July 1, 2006, which date is no more than 60 days prior to the date hereof. The City reasonably expects on the date hereof that it will reimburse the Expenditures with the proceeds of the Financings.

Section 2. Each Expenditure was and will be either (a) of a type properly chargeable to a capital account under general federal income tax principles (determined in each case as of the date of the Expenditure), (b) a cost of issuance with respect to the Financings, (c) a nonrecurring item that is not customarily payable from current revenues, or (d) a grant to a party that is not related to or an agent of the City so long as such grant does not impose any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the City.

Section 3. The maximum principal amount of the Financings expected to be entered into for the Project is \$5,000,000.00.

Section 4. The City will make a reimbursement allocation, which is a written allocation by the City that evidences the City's use of proceeds of the Financings to reimburse an Expenditure, no later than 18 months after the later of the date on which the Expenditure is paid or the Project is placed in service or abandoned, but in no event more than three years after the date on which the Expenditure is paid. The City recognizes that exceptions are available for certain "preliminary expenditures," costs of issuance, certain *de minimis* amounts, expenditures by "small issuers" (based on the year of issuance and not the year of expenditure) and expenditures for construction projects of at least 5 years.

Section 5. This resolution shall take effect immediately upon its passage.

PASSED by the City Council of the City at a regular meeting this \_\_\_ day of \_\_\_\_\_, 2006, by the following vote:

AYES:

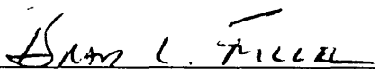
NOES:

ABSENT:

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City Clerk

APPROVED AS TO FORM:



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Brad L. Fuller  
Assistant City Attorney

**DESCRIPTION OF PROJECT**

The acquisition of certain capital equipment utilized by the City in the operations of various departments, including but not limited to: refuse vehicle replacements, such as side-loader automated collection trucks and commercial front-load collection trucks, and service vehicles, such as commercial bin shuttle trucks, residential container roll-out trucks, scooters used for contaminated yard waste and recycling container inspections, and service vehicles used for supervision of collection routes, utilized by the City Department of Public Works pursuant to the City's Integrated Waste Management Operations Plan, helicopters utilized by the City Police Department, and various other capital equipment utilized in other City functions.