

Agenda Report

TO: CITY COUNCIL

DATE: June 15, 2009

THROUGH: FINANCE COMMITTEE

FROM: CITY MANAGER

SUBJECT: RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A MASTER AIRCRAFT LOAN AND SECURITY AGREEMENT, AIRCRAFT SCHEDULE NO 1, AN ESCROW AGREEMENT, AND RELATED INSTRUMENTS, AND OTHER DOCUMENTS IN CONNECTION THEREWITH.

RECOMMENDATION:

It is recommended that the City Council adopt a Resolution:

1. Authorizing an Aircraft lease financing in an amount not to exceed \$2.4 million with SunTrust Bank Equipment Finance & Leasing Corporation;
2. Authorizing the execution and delivery of a Master Aircraft Loan and Security Agreement, Aircraft Schedule no 1, and Escrow Agreement and related instruments, and other documents in connection therewith;
3. Authorizing the City Manager to execute the documents on behalf of the City.

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 are fully depreciated with newer, more efficient ones. The last equipment financing the Council approved was in 2006. The 2006 financing was an equipment lease line of credit of \$5 million with Bank of America Leasing and Capital, LLC. The line of credit was expired and could not be extended as a result of the credit crisis in the financial market.

Proposed Lease Financing of a Helicopter for the Police Department

On September 22, 2008, City Council authorized the issuance of a purchase order to MD Helicopters Incorporated for the purchase of one MD 500E police helicopter with improved quiet technology.

The Air Operations section of the City's police Department currently operates an aging fleet of helicopters with over 12,000 flight hours each, which are in constant need of maintenance and repair. This equates to a standard car reaching the 500,000 miles mark. The department has two military surplus helicopters that were manufactured in 1969 and 1971. Additional surplus aircraft are no longer available from the military. In addition, the department has one 1978 and two 1980 vintage helicopters.

The Department plans to maintain its current fleet of five helicopters by selling an existing old helicopter and the acquisition of the new one. The current cost of the replacement turbine quiet technology helicopter is \$2,112,299 including the lender's financing fee. This is the same type of aircraft both the City of Glendale and Burbank use. The lease financing would allow the Police Department to lease the helicopter for 9 1/2 years with an annual payment of approximately \$271,337.

Because the proposed transaction is for the acquisition and financing of an aircraft, the Master Aircraft Loan and Security Agreement contains special covenants and conditions related to the maintenance, operation and insurance of the aircraft. Staff is ready to meet all those requirements as specified in the agreement.

Financing

Finance Department has secured a lease/purchase equipment financing with SunTrust Bank Equipment Finance and Lease Corporation in the amount not to exceed \$2,400,000 for a term of 9.5 years at a fixed interest rate of 4.10% for the

acquisition of the Helicopter.

Proceeds from the financing will be deposited in an escrow account at SunTrust Bank and Trust Corporation until the helicopter is delivered and the invoice is paid in full. Staff anticipates to close this financing and fund the acquisition account immediately after council's approval of the recommended lease financing. The 4.10% rate has been locked as of mid-May and will expire on June 20, 2009. Due to the essential use of the equipment, no tax opinion from outside bond counsel is required by the lender. The only cost associated with the financing will be for the registration of the helicopter.

FISCAL IMPACT:

The lease/purchase financing is a General Fund credit financing, therefore, the General Fund is the obligor for the lease payments. The annual lease payment is included in the Police Department's fiscal year 2010 recommended budget.

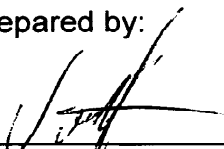
The annual lease payment is estimated at 271,337 based on the \$2,117,299 cost. This cost includes a \$5,000 origination fee assessed by SunTrust Bank Equipment Finance & Leasing Corporation related to this transaction.

Respectfully submitted,



Michael Beck
City Manager

Prepared by:



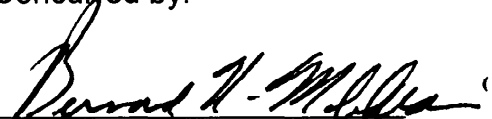
Vic Erganian
Deputy Director of Finance/City Treasurer

Approved by:



Andrew Green
Director of Finance

Concurred by:



Bernard Melekian
Police Chief

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A MASTER AIRCRAFT LOAN AND SECURITY AGREEMENT, AIRCRAFT SCHEDULE NO. 01, AN ESCROW AGREEMENT, AND RELATED INSTRUMENTS, AND OTHER DOCUMENTS IN CONNECTION THEREWITH

WHEREAS, the governing body of CITY OF PASADENA ("Borrower") desires to obtain certain equipment (the "Equipment") described in Aircraft Schedule No. 01 to the Master Aircraft Loan and Security Agreement (collectively, the "Agreement") with SUNTRUST EQUIPMENT FINANCE & LEASING CORP., the form of which has been available for review by the governing body of Borrower prior to its regular meeting of June 15, 2009 ("meeting"); and

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

WHEREAS, the funds made available under the Agreement will be deposited with SUNTRUST BANK (the "Escrow Agent") pursuant to an Escrow Agreement between Borrower and the Escrow Agent (the "Escrow Agreement") and will be applied to the acquisition of the Equipment in accordance with said Escrow Agreement; and

WHEREAS, Borrower has taken the necessary steps, including those relating to any applicable legal bidding requirements, to arrange for the acquisition of the Equipment; and

WHEREAS, Borrower proposes to enter into the Agreement with SUNTRUST EQUIPMENT FINANCE & LEASING CORP. and the Escrow Agreement with the Escrow Agent substantially in the forms presented to this meeting.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF BORROWER AS FOLLOWS:

Section 1. It is hereby found and determined that the terms of the Agreement and the Escrow Agreement (collectively, the "Financing Documents") in the forms presented to this meeting and incorporated in this resolution are in the best interests of Borrower for the acquisition of the Equipment.

Section 2. The Financing Documents and the acquisition and financing of the Equipment under the terms and conditions as described in the Financing Documents are hereby approved. The City Manager of Borrower and any other officer of Borrower who

shall have power to execute contracts on behalf of Borrower be, and each of them hereby is, authorized to execute, acknowledge and deliver the Financing Documents with any changes, insertions and omissions therein as may be approved by the officers who execute the Financing Documents, such approval to be conclusively evidenced by such execution and delivery of the Financing Documents. The City Clerk of the Borrower and any other officer of Borrower who shall have power to do so be, and each of them hereby is, authorized to affix the official seal of Borrower to the Financing Documents and attest the same.

Section 3. The proper officers of Borrower be, and each of them hereby is, authorized and directed to execute and deliver any and all papers, instruments, opinions, certificates, affidavits and other documents and to do or cause to be done any and all other acts and things necessary or proper for carrying out this resolution and the Financing Documents.

ADOPTED at the _____ meeting of the Council of the City of Pasadena on the _____ day of _____, 2009, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED AS TO FORM:

 6/9/09

Michele Beal Bagneris
City Attorney

MARK JOMSKY, CMC
City Clerk

CITY OF PASADENA
INDEX TO LEGAL DOCUMENTS
NON BANK-QUALIFIED ESCROW

Master Aircraft Loan and Security Agreement No. 07452, Dated June 18, 2009

Exhibit A - Aircraft Schedule No. 01;

Acceptance Certificate;

Payment Schedule;

Exhibit B-1 - Tax Agreement and Arbitrage Certificate;

Exhibit C-1 Resolution of Governing Body

Exhibit D - Incumbency Certificate;

Exhibit E - Opinion of Counsel;

Exhibit F – Escrow Agreement with Schedule I and Exhibit A;

Exhibit G-1 Confirmation of Outside Insurance;

Exhibit G-2 Questionnaire for Self-Insurance to Loan and Addendum;

Officers Certificate

UCC Financing Statements with attached Schedule A;

Form 8038-G.

Pay Proceeds Letter