

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 LEASE AGREEMENT, EQUIPMENT SCHEDULE NO. 01, 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 equipment lease financing in an amount not to exceed \$5.6 million with Sun Trust Bank Equipment Finance & Leasing Corporation;
2. Authorizing the execution and delivery of a Master Lease Agreement, Equipment Schedule no. 1, an Escrow Agreement, and related instruments, and determining 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 in the amount \$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 the ICIS Project for the Department of Finance/ITSD

On December 8, 2008, City Council approved the purchase and installation of an Interagency Communications Interoperability System (ICIS). The cost of this project was estimated at \$7,882,560 of which \$4,595,422 were to be financed.

The Interagency Communications Interoperability System (ICIS) is a digital radio system that allows inter-city and interagency radio communication between members of the Verdugo Fire System, including Burbank, Glendale, Montebello, Pomona, Beverly Hills and Culver City, plus non-member cities and agencies who use the system such as San Marino, San Fernando, Glendale College, American Red Cross, and a host of others. The Verdugo Fire System, which migrated to ICIS in November 2007, is the regional fire communications and dispatch center for Burbank, Glendale, Pasadena, Arcadia, Monrovia, San Marino, South Pasadena, San Gabriel, Sierra Madre, Monterey Park, and Alhambra.

This ICIS project provides for the replacement of the Water & Power and Public Works radio systems, upgrading of the Police Department radio system, as well as replacement of all other citywide radios used in daily operations. The replacement of the infrastructure will join the Police Department's radio frequencies to the ICIS, which will:

- Replace vendor unsupported and manufacturer retired equipment
- Provide intra-city and inter-city communications
- Add additional capacity and coverage for City radio users
- Meet the Federal Communication Commission's new requirements
- Allow the City to retain its radio frequencies, while sharing frequencies among other cities

The enhanced communication capabilities that ICIS provides will allow the City to have a single tactical frequency for communications in daily operations and emergencies, in addition to enabling regional communication with other cities and support agencies.

The Department of Finance/ITSD is also requesting an additional \$650,000 to replace and upgrade the City's Technology infrastructure. This equipment has been budgeted in the City's CIP budget under project number 71127. This request replaces funding that was earmarked under the 2006 Equipment Lease financing line of credit for ITSD that was expired.

The cost of the ICIS project plus the IT infrastructure to be financed under this new Equipment Lease is estimated at \$5,287,922, which includes an estimated \$40,500 for a performance bond required by SunTrust Bank. Staff will come back to the Council with a CIP budget clean up report to adjust the estimated \$40,500 cost to the ICIS project. This Lease financing structure would allow the Finance/ITSD department to complete the ICIS project and enable it to upgrade essential IT equipment by utilizing the lease financing for a term of 9 ½ years with an annual estimated payment of approximately \$677,661.

Financing

Finance Department has secured lease/purchase equipment financing with SunTrust Bank Equipment Finance and Lease Corporation in the amount not to exceed \$5,600,000 for a term of 9.5 years at a fixed interest rate of 4.10% for the above mention equipment.


Proceeds from this financing will be deposited in an escrow account at SunTrust Bank and Trust Corporation and will be periodically drawn to pay for the cost of the project. 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.

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 Computing and Communication Service Fund. The annual lease payment is included in the Computing and Communication Service's recommended operating budget for fiscal year 2010.

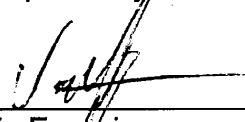
The annual lease payment is estimated at 677,661 based on a total cost of \$5,287,922. The only fee associated with this financing is a \$1,000 origination fee assessed by SunTrust Bank Equipment Finance & Leasing Corporation, which will be financed as part of the total cost of the Equipment.

Respectfully submitted,



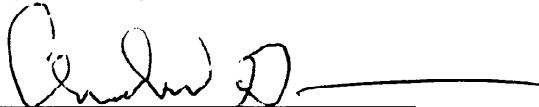
Michael Beck
City Manager

Prepared by:



Vic Erganian
Deputy Director of Finance/City Treasurer

Approved by:



Andrew Green
Director of Finance

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A MASTER LEASE AGREEMENT, EQUIPMENT SCHEDULE NO. 01, AN ESCROW AGREEMENT, 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 SUNTRUST EQUIPMENT FINANCE & LEASING CORP., the form of which has been available for review by the governing body of Lessee prior to its regular meeting of June 15, 2009 ("meeting"); and

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

WHEREAS, the funds made available under the Lease will be deposited with SUNTRUST BANK (the "Escrow Agent") pursuant to an Escrow Agreement between Lessee 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, Lessee has taken the necessary steps, including those relating to any applicable legal bidding requirements, to arrange for the acquisition of the Equipment; and

WHEREAS, Lessee proposes to enter into the Lease 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 LESSEE AS FOLLOWS:

Section 1. It is hereby found and determined that the terms of the Lease 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 Lessee 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 Lessee and any other officer of Lessee who shall have power to execute contracts on behalf of Lessee 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 Lessee and any other officer of Lessee who shall have power to do so be and each of them hereby is, authorized to affix the official seal of Lessee to the Financing Documents and attest the same.

Section 3. The proper officers of Lessee 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:

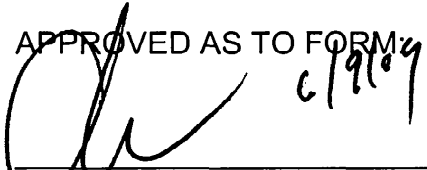
NOES:

ABSENT:

ABSTAIN:

Mark Jomsky, CMC
City Clerk

APPROVED AS TO FORM

for 

Michele Beal Bagneris
City Attorney