

# Agenda Report

December 17, 2012

**TO:** Honorable Mayor and City Council

**FROM:** Department of Public Health

**SUBJECT:** **RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF LEASE PURCHASE AGREEMENT FOR DENTAL EQUIPMENT, A LEASE SCHEDULE, A LEASE SCHEDULE ADDENDUM REGARDING INSURANCE, A SOFTWARE ACQUISITION SCHEDULE ADDENDUM AND A PREPAYMENT SCHEDULE ADDENDUM, A CERTIFICATE OF INCUMBENCY, A PROCEEDS DISBURSEMENT AUTHORIZATION AND OTHER DOCUMENTS IN CONNECTION THEREWITH.**

## **RECOMMENDATION:**

It is recommended that the City Council adopt a resolution:

1. Authorizing a Lease Purchase Agreement for dental clinic equipment in an amount not to exceed \$268,619.58 with JPMorgan/Chase;
2. Authorizing the execution and delivery of a Lease Purchase Agreement, a Lease Schedule, a Lease Schedule Addendum, a Lease Schedule Addendum Regarding Insurance, a Software Acquisition Schedule Addendum, a Prepayment 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; and
4. Recognizing anticipated revenues of \$100,000 in the Health Fund. Increase appropriations in the Public Health Department's FY13 operating budget by \$56,647.

## **BACKGROUND:**

Periodically, the City finances capital equipment for various municipal operations within different departments by issuing equipment financings. These financings allow the City 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 2011 for the acquisition of 15 new ARTS buses.

### Proposed Lease Financing of Dental Equipment

On September 24, 2012, City Council approved a Capital Improvement Project (CIP) budget with an appropriation of \$301,500, for the renovation of a dental clinic on the first floor of the Community Health Center. The renovation will be completed in FY 2013. On June 18, 2012, City Council authorized the issuance of a contract with Henry Schein, Incorporated for the purchase of various dental equipment including dental chairs, dental-related technology and other items. The contract with Henry Schein was exempt from competitive bidding pursuant to City Charter section 1002(H), contracts with other government entities or their contractors. In this case, the City is taking advantage of a "piggyback" opportunity on a contract recently bid by the State of Oklahoma.

The total cost of the dental equipment to finance is \$268,619.58. The annual principal payment, including interest fees, is \$56,646.78 of which will be paid through by the fees that will be collected through the dental clinic. The Department anticipates \$100,000 in revenues will be collected through the State of California as Medi-Cal fees.

### The Financing

In December 2011, the Finance Department solicited various lenders for a lease purchase financing including local banks in the City of Pasadena and obtained several bids for a Master Lease Equipment financing. The lowest bid, in terms of interest rate, was received from JPMorgan/Chase bank. The Department of Finance secured a current 5 year financing with the bank in the amount of \$268,619.58 at a fixed interest rate of 1.95% per annum.

Proceeds from this financing will be deposited in an account with the City and invested until the equipment is acquired. Staff anticipates closing the recommended financing and funding the acquisition account in December 2012, after Council's approval of the lease financing.

### **COUNCIL POLICY CONSIDERATION:**

The leasing of the dental clinic equipment will prevent the Health Department from paying a lump sum amount of \$268,619.58 which would negatively affect the Department's fund balance. Instead, through this lease agreement, the dental clinic will be able to collect revenues that will offset the principal and interest payments. As such, this action supports the City Council's strategic goal to maintain fiscal responsibility and stability.

**FISCAL IMPACT:**

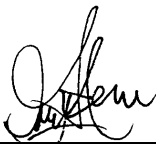
The lease/purchase financing is a Health Fund credit financing; therefore, the Health Fund is the obligor for the lease payments. The cost of this action will be an increase in appropriations for the annual lease payment of \$56,646.78 in account 8686-203-563271 and increase in revenues by \$100,000 in account 6394-203-563271.

Respectfully submitted,



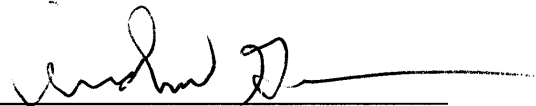
ERIC WALSH, MD, MPH  
Director of Public Health  
Department of Public Health

Prepared by:



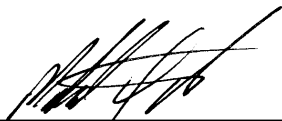
GARY IEM  
Management Analyst IV

Concurred by:



ANDREW GREEN  
Director of Finance  
Department of Finance

Approved by:



MICHAEL J. BECK  
City Manager

ATTACHMENT A

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION AND DECLARATION OF INTENT OF THE CITY COUNCIL OF THE CITY OF PASADENA AUTHORIZING THE EXECUTION AND DELIVERY OF A LEASE PURCHASE AGREEMENT FOR DENTAL EQUIPMENT, A LEASE SCHEDULE, A LEASE SCHEDULE ADDENDUM REGARDING INSURANCE, A SOFTWARE ACQUISITION SCHEDULE ADDENDUM, A PREPAYMENT SCHEDULE ADDENDUM, A CERTIFICATE OF INCUMBENCY, A PROCEEDS DISBURSEMENT AUTHORIZATION, AND OTHER DOCUMENTS IN CONNECTION THEREWITH**

WHEREAS, the City Council of the CITY OF PASADENA (“Lessee”) desires to obtain certain equipment (the “Equipment”) described in Equipment Schedule No. 01 to the Lease Agreement (collectively, the “Lease”) with J. P. Morgan/Chase, the form of which has been available for review by the Lessee prior to the regular meeting of December 17, 2012 (“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; and

WHEREAS, PURSUANT TO APPLICABLE LAW, THE CITY COUNCIL 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; and

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 Lease”) in the principal amount not exceeding \$268,619.58 (“Principal Amount”) for the purpose of acquiring the property generally described below (“Property”) and to be described more specifically in the Equipment Lease, in essentially the form attached hereto, is appropriate and necessary to the functions and operations of the Lessee; and

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

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 Lease 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 Lease 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 Lease on behalf of the Lessee.

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

**SECTION 4.** The Lessee’s obligations under the Equipment Lease 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 Lease 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 Purchase 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 the U.S. 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 17<sup>th</sup> day of December, 2012 by the following votes:

AYES:


NOES:

ABSENT:

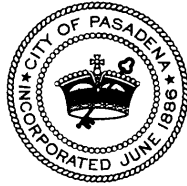
ABSTAIN:

APPROVED AS TO FORM:

ATTEST:

  
Lisa Hosey  
Deputy City Attorney

\_\_\_\_\_  
Mark Jomsky  
City Clerk



OFFICE OF THE CITY ATTORNEY / CITY PROSECUTOR  
CIVIL DIVISION

**Date:**            **DECEMBER 14, 2012**

**Lessee:**         **CITY OF PASADENA**

**Lessor:**        **JPMORGAN CHASE BANK, N.A.**

**Re:**            Lease Schedule No. **1000137041** dated **December 14, 2012** together with its Master Lease-Purchase Agreement dated as of **December 23, 2011** by and between the above-named Lessee and the above-named Lessor.

Sir/Madam:

I have acted as counsel to Lessee with respect to the Lease Schedule and its Addenda, the Master Lease-Purchase Agreement and its Addenda, and all other agreements described above or related thereto (collectively, the "Agreements") and various related matters, and in this capacity have reviewed a duplicate original or certified copy of the Agreements and such other documents as I have deemed necessary for the purposes of this opinion.

Based upon the examination of such documents, it is my opinion that:

1.     Lessee is a political subdivision of the State of CA (the "State") duly organized, existing and operating under the Constitution and laws of the State.
2.     Lessee is authorized and has power under State law to enter into all of the Agreements, and to carry out its obligations thereunder and the transactions contemplated thereby.
3.     The Agreements and all other documents related thereto have been duly authorized, approved and executed by and on behalf of Lessee, and each of the Agreements is a valid and binding contract of Lessee enforceable in accordance with its terms, except to the extent limited by State and Federal laws affecting creditors' remedies and by bankruptcy, reorganization or

other laws of general application relating to or affecting the enforcement of creditors' rights.

4. The authorization, approval and execution of the Agreements and all other proceedings of Lessee relating to the transactions contemplated thereby have been performed in accordance with all applicable Local, State and Federal laws (including open meeting laws and public bidding and property acquisition laws).
5. To the best of my knowledge, there is no litigation or proceeding pending before any court, administrative agency or governmental body, that challenges: the organization or existence of Lessee; the authority of its officers; the proper authorization, approval and execution of any of the Agreements or any documents relating thereto; the appropriation of monies to make payments under the Agreements for the current fiscal year; or the ability of Lessee otherwise to perform its obligations under the Agreements and the transactions contemplated thereby.
6. Lessee is a political subdivision of the State as referred to in Section 103 of the Internal Revenue Code of 1986, as amended, and the related regulations and rulings thereunder.

Lessor, its Assignee and any of their assigns may rely upon this opinion.

Very truly yours,



Michele Beal Bagneris  
City Attorney for the  
City of Pasadena