

# Agenda Report

June 11, 2012

**TO:** Honorable Mayor and City Council

**THROUGH:** Finance Committee

**FROM:** Department of Finance

**SUBJECT:** **RESOLUTION AUTHORIZING THE REFINANCING OF THE INTERAGENCY COMMUNICATIONS INTEROPERABILITY SYSTEM (ICIS), AUTHORIZING THE EXECUTION OF AGENCY LEASE SCHEDULE, ADDENDUM TO THE MASTER LEASE PURCHASE AGREEMENT, AND ALL RELATED INSTRUMENTS, AND OTHER DOCUMENTS IN CONNECTION THEREWITH**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Adopt a resolution approving the refinancing with JPMorgan/Chase Bank the current ICIS 911 system lease, authorizing the execution all related instruments and documents in connection therewith; and
2. Authorize the City Manager or the Director of Finance to execute the documents on behalf of the City.

## **BACKGROUND:**

On June 15, 2009, the City Council authorized the financing of a police helicopter in an amount not to exceed \$2.4 million and finance the acquisition of the ICIS project in an amount not to exceed \$4.6 million with Suntrust Bank and authorized the execution and delivery of all related documents. The financing was for a term of 9.5 years at an interest rate of 4.1%. The City can only refinance and pay off the current leases on the lease payment date which is on June 18, 2012. The outstanding balance of the ICIS project lease to refinance will be \$3,957,507. Due to the decline in interest rates, the City has the opportunity to refinance the lease at an estimated rate of 1.9%, therefore, reducing the interest cost on the financing.

In December 2011, Finance staff solicited several banks, including banks located in the City of Pasadena, while seeking financing for the acquisition of the ARTS buses and obtained several proposals. JPMorgan Chase bank quoted the lowest interest cost at that time and agreed to extend the same rate to this refinancing. Based on the same price indications, JPMorgan offered the refinancing of the helicopter and ICIS leases at equivalent tax exempt rates as the bus lease financing.

The proposed refinancing term will be for 6.4 years at a current estimated tax-exempt rate of 1.9%. The refinancing will generate annual savings of \$32,000 for a total of \$208,000 over the term of the lease representing a net present value savings of 3.7%.

**COUNCIL POLICY CONSIDERATION:**

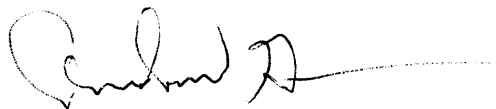
This action supports the City Council strategic goal to maintain fiscal responsibility and stability.

**FISCAL IMPACT:**

The refinancing will generate an estimated \$208,000 net savings over the term of the financing or \$32,000 per year. The \$32,000 calculated net savings accounts for a prepayment penalty of 3% on the outstanding balance on the lease as of June 18, 2012. Even with the prepayment penalty, the City realizes a net present value savings of approximately 3.7%. There is no additional cost to the City such as points, bank fees, or legal fees related to this refinancing.

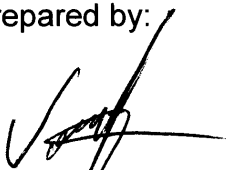
There is no anticipated impact to other operational programs or capital projects as a result of this action.

Respectfully submitted,



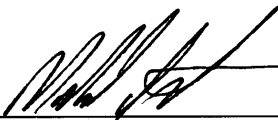
ANDREW GREEN  
Director of Finance  
Department of Finance

Prepared by:



Vic Erganian  
Deputy Director of Finance/City Treasurer

Approved by:



MICHAEL J. BECK  
City Manager

Attachments: (1)

Attachment A -