

**City Manager's Report****February 12, 2019 City Council Meeting****Prepared by: Dave Warren, Assistant City Manager/Director of Finance****Item #: 12.9****Subject:** Adopt a Resolution:

1. Awarding a capital lease agreement to Opus Bank in the amount of \$257,862 for a term of five-years and an annual interest rate of 3.16% to finance twelve pieces of equipment and authorizing the execution of the master agreement and the property schedule together with related documents; and
2. Authorizing the City Manager to negotiate and execute the said capital lease agreement and any other documentation related to the said financing.

Purpose: To finance twelve pieces of new equipment that will replace existing equipment within the Police Department, Public Works Department, and Finance Department.

Background:

At its meeting held on November 27, 2018, the City Council authorized the Director of Finance to obtain financing options for thirteen pieces of equipment. On December 21, 2018, the Finance Department issued an Request for Proposal (RFP) for equipment lease-purchase financing in the amount of \$258,700 for a term of five-years. The RFP was distributed to eleven quality lending institutions. The City received three proposals, and Opus Bank was determined to be the lowest responsive and responsible bidder. Tonight, staff is recommending the City Council award a capital lease agreement to Opus Bank in the amount of \$257,862 for a term of five-years and an annual interest rate of 3.16% to finance the equipment and Authorize the City Manager to negotiate and execute the said capital lease agreement and any other documentation related to the said financing

Discussion:

Below is a summary of the capital lease proposals the City received in response to the RFP:

a	b	c	d	e	f d x e	g	h f + g
Firm/Lease Term	Lease Principal	APR	No. of Payments	Semi-Annual Lease Payment	Total Lease Payments	One-Time Fees	Total Cost of Lease
California Bank & Trust							
5-Year Lease	\$258,700.00	3.090%	10	\$28,228.16	\$282,281.55	\$1,500.00	\$283,781.55
KS StateBank							
5-Year Lease	\$258,700.00	4.100%	10	\$29,021.53	\$290,215.30	\$0.00	\$290,215.30
OPUS Bank							
5-Year Lease	\$258,700.00	3.160%	10	\$28,278.05	\$282,780.54	\$1,000.00	\$283,780.54

As you can see, Opus Bank had the lowest bid at \$283,780.54 based on a principal amount of \$258,700.

On November 27, 2018, the City Council authorized the Director of Finance to obtain financing options for thirteen pieces of equipment totaling \$258,030 including three new Dodge Chargers in the amount of \$122,598 and a network server in the amount of \$10,831. Due to the cost of the three patrol vehicles being \$9,993 (\$132,591 - \$122,598) more than originally anticipated, staff is recommending the \$10,831 network server be excluded from the capital lease. Staff has identified \$10,831 in savings within the existing General Fund capital outlay budget that can be used to purchase the network server.

Below is the revised equipment list the proposed capital lease is based upon:

Description	Quantity	Amount	General Fund	Water Fund	Sewer Fund
Dodge Chargers (PD)	3	\$ 132,591	\$ 132,591	\$ -	\$ -
Printers Units (PD)	4	13,463	13,463	-	-
Ford F250 4X4 Pickup Truck With Lift Gate (PWI)	1	35,000	11,666	11,667	11,667
Ford F250 4X4 Pickup Truck (PWD)	1	33,000	11,000	11,000	11,000
Ford F150 4X4 Pickup Truck (PWD)	1	34,000	-	34,000	-
Meter Reader Handheld Units (FD)	2	9,808	-	4,904	4,904
Total	12	\$ 257,862	\$ 168,720	\$ 61,571	\$ 27,571
% Cost Allocation		100.00%	65.43%	23.88%	10.69%

If the Council approves the proposed equipment lease tonight, staff will finalize the lease agreement with and return to the Council with equipment purchase proposals for the Council's consideration as necessary.

The master agreement and property schedule forms provided by Opus Bank are attached hereto as exhibits "A" and "B." There are several exhibits to the property schedule that are not attached and are subject to further negotiation including such things as insurance and pre-payment penalties.

Options:

1. Adopt the resolution awarding a capital lease agreement to Opus Bank as presented.
2. Direct staff to negotiate other terms with Opus Bank.
3. Direct staff to take other action.
4. Take no action.

Cost:

The proposed equipment lease with Opus Bank has an interest rate of 3.16% over a five-year period. The annual debt service (principal and interest) is \$56,372.90 (semi-annual payment of \$28,186.45 x 2). There is a one-time \$1,000 documentation fee that would have to be paid upon execution of lease. The first semi-annual payment would be due in October 2019. The total cost of the lease, including principal, interest expense, and the documentation fee, is \$282,864.54.

Budget Impact:

If approved tonight, staff will incorporate the \$56,372.90 in additional debt service payments within the proposed Fiscal Year 2019/2020 Operating Budget as follows:

Fund	% Allocation	\$ Allocation
General Fund	65.43%	\$ 36,884.79
Sewer Enterprise Fund	10.69%	6,026.26
Water Enterprise Fund	23.88%	13,461.85
Total	100.00%	\$ 56,372.90

Recommendation:

Adopt a Resolution:

1. Awarding a capital lease agreement to Opus Bank in the amount of \$257,862 for a term of five-years and an annual interest rate of 3.16% to finance twelve pieces of equipment and authorizing the execution of the master agreement and the property schedule together with related documents; and
2. Authorizing the City Manager to negotiate and execute the said capital lease agreement and any other documentation related to the said financing.


M. Cleve Morris, City Manager


**Dave Warren, Assistant City Manager/
 Director Finance**

Attachments:

1. Resolution
2. Master Agreement
3. Property Schedule