

“We are a welcoming, active, and business-friendly rural foothill community built on California’s rich gold rush history.”



City Manager’s Report

December 13, 2022, City Council Meeting

Prepared by: Dave Warren, Assistant City Manager/Director of Finance

Item #: 12.3

Subject: Adopt a resolution:

1. Authorizing the City Manager to negotiate a five-year master equipment lease agreement and other related documents with Bank of America, National Association or Designee with a maximum principal amount of \$2,000,000; and
2. Authorizing the City Manager to negotiate an initial equipment lease Draw No. 1 with Bank of America, National Association or Designee with a 10-year term and an APR of 4.34% for the purchase of one Vactor Truck and a CAD RIMS Hardware and Software Conversion (CIP #42301) for a total estimated principal amount of \$750,000; and
3. Authoring the City Manager or his designee to sign the said documents.

Purpose:

To establish a master lease agreement with a reputable financial institution for the efficient procurement and financing of larger pieces of equipment and software over a five-year period.

Strategic Plan Strategy:

Fiscal Stability/Sustainability: 4) Strategy - Establish Equipment Replacement and Maintenance Program, b. Explore vehicle leasing options

Background:

Over the past few years, staff has been exploring ways of reducing both the cost and the amount of time it takes to procure and finance larger pieces of equipment such as City vehicles. To that end, staff has worked closely with the City’s Municipal Advisor, Anna Sarabian, from Fieldman, Rolapp & Associates, Inc., in developing a master lease program that would establish a line of credit with a reputable financial institution for the purchase of larger pieces of equipment and software on an as needed basis for up to a five year period. At its meeting held on September 27, 2022, the City Council approved a Request for Proposal (RFP) for a master equipment lease and directed staff to return to the Council with the master equipment lease agreement proposals for further discussion and consideration.

Shortly after City Council approval, staff posted the RFP on the City’s website, CSMFO website, LinkedIn, and emailed the RFP to several reputable lending institutions. Tonight, staff requests the City Council to authorize the City Manager negotiate a master equipment lease agreement with Bank of America, National Association or Designee who has been determined to be the lowest responsive and responsible bidder.

Discussion:

The City received seven proposals from reputable lending institutions, which are summarized in Attachment "A." Institution No. 4 actually had the lowest initial interest rates from 3.13% to 3.27% for a 10-year and 15-year term leases, respectfully. However, the actual locked rate would not have been known until two weeks before closing of the deal, which was estimated to occur later this month or in early January 2023. Bank of America allowed the City to lock initial interest rates ranging from 4.34% to 4.48% for 5-year and 20-year term leases respectfully. Therefore, Bank of America was determined to be the lowest responsive and responsible bidder.

As discussed during the City Council's budget deliberations last spring, staff recommends initially financing a vactor truck, for the Public Works Department, and a CAD/RIMS Hardware and Software Conversion (CIP #42301), for the Police Department. The cost of both items have increased slightly since last spring. Below are the original estimated costs and the current projected costs for both items:

Description	Original Cost Estimate	Current Cost Estimate	Increase/ (Decrease)
Vactor Truck:	\$340,653	\$ 364,468	\$23,815
CAD/RIMS Hardware and Software Conversion (CIP #42301):	315,890	371,849	55,959
Total	\$656,543	\$736,317	\$79,774

The increased cost of the vactor truck is due to hyperinflation since the City received the previous price quote. After further review of the CAD/RIMS Hardware and Software Conversion, it was determined that the server that facilitates the current Tracnet software will need to be replaced in order to install and operate the new RIMS software at a total cost of \$33,159, which includes both the server hardware and installation by an IT consultant. The project will also require \$22,800 in additional IT consultant services for the mandatory conversion from the old iCLETS software to the current version of CLETS that's utilized by both the Department of Justice and the El Dorado County Sheriff's Department. The \$55,959 in total additional hardware and IT consultant costs has been included in the current project cost estimate.

If approved, staff will negotiate a master equipment lease agreement, an initial 10-year equipment lease Draw No. 1 for the vactor truck and the CAD/RIMS Hardware and Software Conversion (CIP #42301), and any other related documents with Bank of America. The master lease agreement would be for five-years with leasing terms of 5-years to 20-years depending on the useful life of equipment or software that is being financed.

Below is the formula used to calculate the City's initial interest rates:

Tax Exempt USD Bloomberg Short-Term Bank Yield (BSBY) Swaps Index (as of 10/31/22):

Lease Term	Payment Mode	Index Swap Term (Avg Life)*	Avg Life Term Index Rate	xPercentage of Index	+Spread	=Equipment Lease Rate
5 years	Annual Arrears	3YR	4.6367%	79.0%	0.6770%	4.3400%
7 years	Annual Arrears	4YR	4.4642%	79.0%	0.8133%	4.3400%
10 years	Annual Arrears	6YR	4.2815%	79.0%	0.9976%	4.3800%
15 years	Annual Arrears	9YR	4.1598%	79.0%	1.1938%	4.4800%

*The actual Tax-Exempt Interest Rate for future Schedules will be calculated in accordance with the formula in the above pricing grid and will be based on the then current Swap Index Rate published at 8:30ET on the applicable Refinitiv Swaps Index screen page (or such other commercially available source providing such quotations as may be selected by Lender from time to time) on the date pricing is set (no more than 8 business days prior to funding), which the current Swap Index Rate shall not be less than zero (0%). Day count is based on 30/360 convention

The interest rates for future draws from the agreement would be based on the formula shown above and be set 8 days prior to closing. Once set, the interest rate would be fixed over the term of the lease. The agreement would allow for a maximum aggregate lease principal amount of \$2,000,000. The proposed lease agreement would allow for pre-payment in full after half of the term on any regularly scheduled payment date without penalty.

Staff respectfully requests the City Council to authorize the City Manager to negotiate and execute the 5-year master equipment lease agreement, initial 10-year equipment lease, and any other related documents with Bank of America.

Options:

1. Adopt the resolution approving the recommended actions.
2. Adopt a resolution approving the recommended actions with revisions.
3. Direct Staff to take other actions.

Environmental:

Tonight's action is not applicable.

Cost:

There will be some staff time, Municipal Advisor costs, and legal fees associated with negotiating the master equipment lease agreement and the initial Draw No. 1. All of these costs can be included in the lease principal.

Budget Impact:

The City Council adopted the Fiscal Year 2022/2023 Operating Budget and Capital Improvement Program Budget which appropriated the first year's estimated debt service payments for both the Vactor Truck and the CAD/RMS Hardware and Software Conversion project (CIP #42301). Both the budgeted and the currently projected annual debt service amounts are shown below:

Description	Adopted Fiscal Year 2022/2023 Budgeted Debt Service	Projected Fiscal Year 202/2023 Budgeted Debt Service	Increase/ (Decrease)
Vactor Truck:	\$ 41,666	\$ 45,314	\$ 3,648
CAD/RMS Hardware and Software Conversion (CIP #42301):	84,366	46,232	(38,134)
Total	\$ 126,032	\$ 91,546	\$ (34,486)

Due to the timing of the proposed equipment lease, staff anticipates the first debt service payment will be due in Fiscal Year 2023/2024 instead of Fiscal Year 2022/2023.

Recommendation:

Adopt a resolution:

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2. Authorizing the City Manager to negotiate an initial equipment lease Draw No. 1 with Bank of America, National Association or Designee with a 10-year term and an APR of 4.34% for the purchase of one Vactor Truck and a CAD RMS Hardware and Software Conversion (CIP #42301) for a total estimated principal amount of \$750,000; and
3. Authoring the City Manager or his designee to sign the said documents.



M. Cleve Morris, City Manager



Dave Warren, Assistant City Manager/
Director Finance

Attachments:

A: Master Equipment Lease Agreement RFP Results Summary

B: Resolution