

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



City Manager's Report

February 14, 2023, City Council Meeting

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

Item #: 7.6

Subject: Acknowledge and file the status update on the 2023 Master Equipment Lease/Purchase Agreement and the initial Equipment Lease Draw No. 1 with Bank of America, National Association.

Purpose:

To provide a status update on the 2023 Master Lease/Purchase Agreement with Bank of America, National Association, which will provide 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. The City received seven proposals from reputable lending institutions, and at its meeting held on December 13, 2022, the City Council authorized the City Manager to negotiate a five-year master equipment lease agreement and other related documents with Bank of America, National Association with a maximum principal amount of \$2,000,000 and an initial equipment lease Draw No. 1 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.

Staff successfully negotiated both documents and closed the deal on January 31, 2023, and the initial lease (Draw No. 1) was funded at \$731,065.81. While reviewing the initial draft lease agreement for Draw No. 1, staff noticed a few typos on the staff report, resolution, and the Request for Proposal (RFP) Summary sheet that were presented at the City Council meeting held on December 13, 2022. The actual annual interest rate for the initial lease agreement (Draw No. 1), which has a ten-year

term, was 4.38%. The annual interest rate shown in the resolution, the RFP summary and certain sections of the staff report was erroneously reported as 4.34% or 0.04 percentage points less than the actual interest rate.

Discussion:

Staff discussed the typos with the City's Municipal Advisor and City Attorney to determine any potential impacts and any necessary actions. When you compare the actual interest rate of 4.38% to the erroneously reported rate of 4.34%, the total cost difference for the 10-year lease is \$1,742.52, which has been determined to be a relatively de minimis amount as compared to size of the financing. In regards to any impact to the RFP selection, the next lowest responsive and responsible bidder had an annual interest rate of 4.98% for a ten-year lease, which is higher than Bank of America, National Association's rate of 4.38%. So, there was no impact associated with the City's selection of Bank of America, National Association as the lowest responsive and responsible bidder. Nevertheless in the spirit of honesty and transparency, staff and the City's Municipal Advisor wanted to bring this error to the attention of the City Council and the Public. Staff and the City's Municipal Advisor apologize for this error.

Options:

1. Acknowledge and file the status update as presented.
2. Direct Staff to take other actions.

Environmental:

Tonight's action is not applicable.

Cost:

There is no cost associated with tonight's action.

Budget Impact:

There is no budget impact association with tonight's action.

Recommendation:

Acknowledge and file the status update on the 2023 Master Equipment Lease/Purchase Agreement and the initial Equipment Lease Draw No. 1 with Bank of America, National Association.



M. Cleve Morris, City Manager



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