

TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services
SUBJECT: Lease-Purchase Financing for Street Sweeper Acquisition
DATE: September 7, 2004

Needs:

For the City Council to consider a resolution approving a lease-purchase agreement and various related documents with Municipal Finance Corporation for the purchase of two street sweepers.

Facts:

1. The current budget contains appropriations for the purchase of two new street sweepers and the debt service payments for the lease-purchase financing.
2. Requests for quotes for lease-purchase financing were distributed to eight (8) firms.
3. Municipal Finance Corporation quoted the lowest interest cost at 3.38% with no additional fees or charges and a \$1 buy-out at expiration date.
4. At this interest rate, over the five year term, the City will pay a total of \$286,495.20 towards equipment costing \$263,254.23.

Analysis
and
Conclusion:

While the City has the resources in reserves to purchase the street sweepers outright, financing the acquisition will continue the availability of reserves for other Council priorities.

Currently, the interest cost on the lease-purchase is more than the interest earned on the investment of City funds. However, it is expected that over time, investment yields will exceed the interest cost.

Fiscal
Impact:

None. Appropriations for the acquisition and the lease-purchase payments have been provided for in the current operating budget.

Options:

- a. Adopt Resolution No. 04-xx approving a lease-purchase agreement and various related documents with Municipal Finance Corporation for the purchase of two street sweepers and authorize the Director of Administrative Services/City Treasurer to execute any and all documents associated with said financing; or

b. Amend, modify, or reject the above option.

RESOLUTION NO. 04-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
AUTHORIZING THE EXECUTION AND DELIVERY OF A LEASE WITH OPTION TO
PURCHASE, AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH
WITH MUNICIPAL FINANCE CORPORATION

WHEREAS, the City of El Paso de Robles (the "City") is a municipal corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California; and

WHEREAS, the current operating budget contains a budget appropriation for the purchase of two new street sweeper and for the annual debt service payments for a lease-purchase financing for said purchase; and

WHEREAS, the City purchased said street sweepers in accordance with the adopted Purchasing Policy and Procedures; and

WHEREAS, the City has sought lease-purchase financing rates on a competitive basis; and

WHEREAS, Municipal Finance Corporation (the "Corporation") has proposed a cost-effective lease purchase financing arrangement at a 3.38% interest rate;

THEREFORE BE IT HEREBY RESOLVED AS FOLLOWS:

SECTION 1. Lease with Option to Purchase. The Director of Administrative Services/City Treasurer is hereby authorized to enter into a Lease with Option to Purchase (the "Lease") with the Corporation to finance the Property, subject to approval as to form by the City Attorney.

SECTION 2. Attestations. The Clerk or other appropriate City officer are hereby authorized and directed to attest the signature of the Director of Administrative Services/City Treasurer, and to affix and attest the seal of the City, as may be required or appropriate in connection with the execution and delivery of the Lease.

SECTION 3. Other Actions. The Director of Administrative Services/City Treasurer and other officers of the City are each hereby authorized and directed, jointly and severally, to take any and all actions and to execute and deliver any and all agreements, documents and certificates which they may deem necessary or advisable in order to carry out, give effect to and comply with the terms of this Resolution and the Lease. Such actions are hereby ratified, confirmed and approved.

SECTION 4. Qualified Tax-Exempt Obligations. The Lease is hereby designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The City, together with all subordinate entities of the City, do not reasonably expect to issue during the calendar year in which the Lease is issued more than \$10,000,000 of obligations which it could designate as "qualified tax-exempt obligations" under Section 265(b) of the Code.

SECTION 5. Reimbursement of Prior Expenditures. The City declares its official intent to be reimbursed from the proceeds of the Lease approved hereby for a maximum principal amount of \$263,254.23 of expenditures occurring no earlier than sixty days prior to the adoption of this Resolution. All reimbursed expenditures will be capital expenditures as defined in Section 1.150-1(b) of the Federal Income Tax Regulations.

SECTION 6. Effect. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 7th day of September 2004 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Frank Mecham, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk

INCUMBENCY CERTIFICATE

I do hereby certify that I am the duly elected or appointed and acting Deputy City Clerk of City of El Paso de Robles, a body corporate and politic duly organized and existing under the laws of the State of California, that I have custody of the records of such entity, and that, as of the date hereof, the individuals named below are the duly elected or appointed officers of such entity holding the offices set forth opposite their respective names. I further certify that (i) the signatures set opposite their respective names and titles are their true and authentic signatures, and (ii) such officers have the authority on behalf of such entity to enter into that certain Equipment Lease/Purchase Agreement dated as of DATE (the "Agreement") between such entity and LaSalle Bank National Association.

<u>NAME</u>	<u>TITLE</u>	<u>SIGNATURE</u>
Michael J. Compton	Director of Admin. Svcs.	_____

I hereby further certify that the individual named below holds the office set forth opposite his name and is duly authorized to execute Certificates of Acceptance, Requisition Requests, and other documents relating to the Agreement.

<u>NAME</u>	<u>TITLE</u>	<u>SIGNATURE</u>
Michael J. Compton	Director of Admin. Svcs.	_____

IN WITNESS WHEREOF, I have duly executed this Certificate and affixed the seal of lxe hereto this ___ day of September, 2004.

[SEAL]

Sharilyn M. Ryan, Deputy City Clerk