


TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services 
SUBJECT: Reimbursement Resolution for Fire Ladder Truck Acquisition
DATE: December 7, 1999

Needs: For the City Council to consider adoption of a resolution establishing the authority to reimburse the City for the acquisition of a fire ladder truck from the proceeds of a lease purchasing financing.

Facts:

1. The Council at their November 2nd meeting did approve a budget appropriation from the fiscal year 1999 reserve carryover for the lease purchase acquisition of a fire ladder truck.
2. The Council also granted the authority for the Department of Emergency Services to 'piggyback' on the competitive bid undertaken by the San Miguel Fire District in San Diego County.
3. The City has received a commitment from the fire ladder manufacturer to hold the price for 90 days from the date of Council award.
4. Adoption of a reimbursement resolution simply reserves the ability of the City to reimbursement any costs incurred prior to the issuance of lease purchase financing should the need arise.

Analysis
and
Conclusion:

Given the 90 day price commitment by the manufacturer, the need for the reimbursement resolution may not be required. It is desirable to schedule the establishment of lease purchase financing after January 1st in order to provide assurances to the vendor providing the financing that the deal is 'bank qualified'. A 'bank qualified' financing provides tax credits to the vendor providing the financing. Thus, the vendor is able to provide the City a lower interest rate due to this tax credit savings.

In order for a financing to be 'bank qualified', the City must limit total aggregate financing to less than \$10 million in any given calendar year. Since the City has already issued \$23 million in general obligation bonds during calendar year 1999, the lease purchase financing must be deferred until after January 1st.

The City may issue the lease purchase financing prior to January 1st. However, it is highly likely that the effective interest cost would be slightly higher than if the City did wait.

Fiscal
Impact:

None. Adoption of attached reimbursement resolution simply reserves the City's ability to reimburse itself for any expenditures made prior to the issuance of lease purchase financing should the need arise.

Options:

- a. That the Agency adopt Resolution No. 99- establishing authority for reimbursement of any costs incurred for the acquisition of a fire ladder truck from the proceeds of lease purchase financing; or
- b. Amend, modify, or reject the above option.

RESOLUTION NO. 99-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
DECLARING OFFICIAL INTENT TO REIMBURSE FIRE LADDER TRUCK EXPENDITURES
FROM PROCEEDS OF LEASE PURCHASE FINANCING

WHEREAS, the City Council has approved a budget appropriation for the acquisition of a fire ladder truck;
and

WHEREAS, the City Council has authorized the acquisition of the fire ladder truck based upon a competitive
bid undertaken by another fire agency; and

WHEREAS, the City Council has authorized the acquisition of the fire ladder truck by lease purchase
financing; and

WHEREAS, due to 'bank qualified' financing considerations, the lease purchase financing contract will not be
completed until after January 1, 2000; and

WHEREAS, the adoption of a reimbursement resolution will reserve the City's ability to reimburse any
expenditures incurred prior to January 1, 2000 should the need arise.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of El Paso de Robles, California,
as follows:

1. Pursuant to US Treasury Regulations Section 1.150-2, the City hereby declares its official intent to use
proceeds of indebtedness for the acquisition of a fire ladder truck and reimburse the City for any
expenditures incurred.
2. This resolution does not bind or commit the City to make any expenditure, incur any indebtedness, or
otherwise proceed with the acquisition.
3. This resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by the City Council of the City of El Paso de Robles this 7th day of December,
1999, by the following roll call vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Duane J. Picanco, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk