

TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services
SUBJECT: Lease-Purchase Financing for Fire Engine Acquisition
DATE: September 17, 2002

Needs:

For the City Council to consider a resolution approving a lease-purchase agreement and various related documents with LaSalle National Leasing Association for the purchase of two fire engines.

Facts:

1. The current budget contains appropriations for the purchase of two new fire engines and the debt service payments for the lease-purchase financing.
2. Requests for quotes for lease-purchase financing were distributed to sixteen (16) firms including the City's current banking institution, Heritage Oaks Bank.
3. LaSalle National Leasing Association quoted the lowest interest cost at 3.23% 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 \$722,356.80 towards equipment costing \$666,218.12.

Analysis
and

Conclusion:

While the City has the resources in reserves in purchase the fire engines outright, financing the acquisition will continue the availability of reserves for other Council priorities such as accelerating the implementation of the Emergency Service Growth Management Plan and other public safety needs. Additionally, once the lease-purchase obligation expires, the resources allocated for debt service will be re-allocated to the equipment replacement fund for the acquisition of future fire engines.

Currently, the interest cost on the lease-purchase is less than the interest earned on the investment of City funds. While there may yet come a time when this is not the case given falling investment interest rates, it is expected that over the term of the lease-purchase contract that interest earnings will exceed the interest cost.

The fire engine vendor has provided the City the option of making a chassis pre-payment prior to delivery of the completed engines. If the City availed themselves of this option, the vendor would reduce the total cost of the engines. Staff is still assessing whether or not the reduced price is beneficial giving due consideration to investment earnings on the City's investment of said funds. To accommodate this option, the

attached resolution provides a “reimbursement” provision. Should staff decide to make a chassis pre-payment prior to receipt of lease-purchase funding, the City could reimburse itself from the lease-purchase proceeds in accordance with IRS regulations.

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. 02-xxx approving a lease-purchase agreement and various related documents with LaSalle National Leasing Association for the purchase of two fire engines and authorize the Director of Administrative Services to execute any and all documents associated with said financing; or
- b. Amend, modify, or reject the above option.

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, 2002.

[SEAL]

Sharilyn M. Ryan, Deputy City Clerk

RESOLUTION NO. 02-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
APPROVING A LEASE-PURCHASE AGREEMENT WITH LASALLE NATIONAL
LEASING ASSOCIATION AND AUTHORIZING THE REIMBURSEMENT OF
COSTS ADVANCED IN ACCORDANCE WITH IRS REGULATIONS

WHEREAS, the current operating budget contain A budget appropriation for the purchase of two new fire engines; and

WHEREAS, the current operating budget also contains a budget appropriation for the annual debt service payments for a lease-purchase financing for said purchase; and

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

WHEREAS, LaSalle National Leasing Association has submitted the lowest interest cost proposal; and

WHEREAS, the City may desire to make an advance payment towards the new fire engines prior to the receipt of the proceeds from the lease-purchase financing in accordance with IRS regulations;

WHEREAS, the Council has determined that a true and very real need exists for the Fire Engines described in the proposed lease-purchase agreement between the City and LaSalle National Leasing Association; and

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

WHEREAS, the City proposes to enter into the lease-purchase agreement with LaSalle National Leasing Association substantially in the proposed form presented herein.

THEREFORE BE IT HEREBY RESOLVED AS FOLLOWS:

SECTION 1. That the terms of the Agreement in the form presented to this meeting and incorporated in this Resolution are in the best interests of the City for the acquisition of the two fire engines.

SECTION 2. That the City Council of the City of El Paso de Robles does hereby approve an agreement for lease-purchase financing of two fire engines with LaSalle Leasing National Association.

SECTION 3. That the City Council of the City of El Paso de Robles does hereby authorize the Director of Administrative Services to execute any and all documents associated with the lease-purchase financing as may be required by either party.

SECTION 4. That the proper officers of the City of El Paso de Robles are hereby authorized and directed to execute and deliver any and all papers, instruments, opinions, certificates, affidavits and other documents and to do or cause to be done any and all other acts and things necessary or proper for carrying out this resolution and the Agreement.

SECTION 5. The City Council of the City of El Paso de Robles, pursuant to U.S. Treasury Regulations Section 1.150-2, does hereby declare its official intent to use proceeds of lease-purchase indebtedness to reimburse the City for fire engine chassis payments if made.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 17th day of September 2002 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Frank Mecham, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk