



REPORT TO COUNCIL

City of Sacramento

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Consent
February 20, 2007

**Honorable Mayor and
Members of the City Council**

Title: Pay & Display Parking Acquisition Lease Agreement

Location/ Council District: City-wide

Recommendation: Adopt a **Resolution** 1) authorizing the execution and delivery of the recognized financing documents, 2) approving the use of an inter-agency agreement with the City of Seattle for the purchase of Pay & Display Parking Stations, and 3) authorizing the Finance Director to amend the Parking Services Division operating budget by \$2.5 million to establish the necessary purchasing and lease payment expenditure authority related to this lease financing.

Contact: Janelle Gray, Public Finance and Banking Manager, 808-8296; Petra Abraham Laptalo, Treasury Analyst, 808-8292; Mike Melvin, Program Specialist, Parking Services, 808-7475

Presenters: N/A

Department: Office of the City Treasurer and Department of Transportation

Division: Public Finance and Parking Services

Organization No: 0900 and 3481

Description/Analysis

Issue: On December 12, 2006, City Council approved the expansion of the Pay & Display Parking Stations Project for the City of Sacramento and confirmed the inter-agency agreement with the City of Seattle for the purchase of new stations. Council also authorized the City Treasurer to secure funding for the parking stations. Approval of the related financing documents and actions are needed to fund the acquisition and installation of the stations, as well as the approval of the use of an inter-agency purchase agreement with the City of Seattle.

Policy Considerations: This action is consistent with Parking Services' proposal to meet customer needs as well as to decrease equipment maintenance and replacement costs, and to increase revenue. The City Treasurer's Office has had a Master Lease Equipment Agreement with Banc of America Public Capital Corp since 1996 and has provided equipment leases for several other projects

throughout the years. The use of the lease mechanism is prudent and economical.

The associated agreements and documents are attached to the report. While they have not been signed by City Attorney's Office as "approved as to form", they have been reviewed by City Attorney's Office, are in substantially final form, and will be executed after the lease financing is approved.

Environmental Considerations: This report concerns administrative activities that do not constitute a "project" as defined by the California Environmental Quality Act (CEQA) Guidelines Section 15378(a). These activities are, therefore, not subject to the requirements of CEQA [CEQA Guidelines 15060(c)].

Rationale for Recommendation: Approval of the use of an inter-agency agreement with the City of Seattle for the purchase of new stations and the expansion of the Pay & Display stations on City streets will provide a higher level of customer service by offering multiple payment options.

Approval of the recommended actions authorizes the City Treasurer to take the actions necessary for the execution of related documents to secure the needed financing.

Financial Considerations: The cost of the Pay & Display stations, including installation, is estimated not to exceed two-million, five-hundred thousand dollars (\$2.5 million). A number of financing mechanisms were analyzed by the City Treasurer Office; it was determined the most efficient financing structure is through the City's Master Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp.

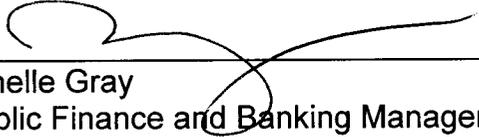
During the pilot program which was conducted from August 2005 to July 2006 the parking meter revenue from the Pay & Display stations were compared to historical parking meter revenues for the same time period. On average revenues increased 38% in the pilot area while savings in repair costs including labor over the single space meters were approximately \$85 per parking meter. It is anticipated that expanding the program will achieve similar results. The source of repayment for the lease financing would be derived from that increased revenue and from savings in repair and maintenance costs.

The terms of the financing arranged by the City Treasurer are as follows:

Amount of Loan:	\$2,500,000
Term of Loan:	7 years
Interest Rate:	3.69%
Annual Debt Service:	\$408,517.91

See **Attachment 2** for detailed terms and conditions.

Emerging Small Business Development (ESBD): Any goods and services will be purchased in accordance with established City policies.

Respectfully Submitted by: 
Janelle Gray
Public Finance and Banking Manager

Approved by:

Ray Kerridge
City Manager

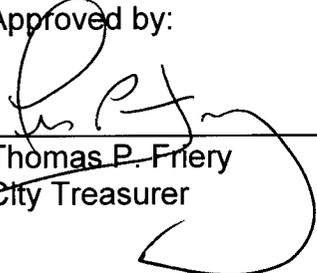
Approved by:

Thomas P. Friery
City Treasurer

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ATTACHMENT 1

RESOLUTION NO. 2007-

Adopted by the Sacramento City Council

PAY & DISPLAY PARKING ACQUISITION LEASE AGREEMENT

BACKGROUND

- A. On December 12, 2006, City Council approved the expansion of Pay & Display Parking confirmed the inter-agency agreement with the City of Seattle for the purchase of new stations. This project provides a higher level of customer service accompanied with decreased repair and maintenance costs and provides increased revenues.
- B. In order to facilitate the purchase of these parking stations, City Council authorized the City Treasurer to secure funding for purchasing 300 parking stations at an estimated cost of two-million five-hundred thousand dollars (\$2.5 million).
- C. The City Treasurer's Office has had a Master Lease Equipment Agreement with Banc of America Public Capital Corp since 1996 and has provided equipment leases for similar acquisitions throughout the years. The City will utilize this financing structure to fund the \$2.5 million for the acquisition of the parking stations.
- D. The source of repayment of this lease financing would be derived from increased revenues and from lower maintenance costs.
- E. It is desirable and necessary to approve the forms of the various documents and to authorize the City Treasurer to perform the functions necessary to secure the financing.
- F. The Council is fully advised on this matter.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The above recitals are true, and Council so finds and determines.
- Section 2. Approve the use of an inter-agency agreement with the City of Seattle for the purchase of new Pay & Display stations.
- Section 3. The Finance Director is authorized to amend the Parking Services Division operating budget by \$2.5 million to establish the necessary purchasing and lease payment expenditure authority related to this lease financing.

Section 4. The City Treasurer is hereby authorized to execute and deliver the required documents on behalf of the City in substantially the form now on file with the City Clerk, with such changes the City Treasurer may require or approve after consultation with the City Attorney in the interest of the City.

ATTACHMENT 2

SUMMARY OF TERMS AND CONDITIONS

Date: December 6, 2006, amended January 23, 2007

Lessee: The City of Sacramento, California

Lessor: Banc of America Public Capital Corp or its designee (“Lessor”)

Equipment: New “pay and display” parking meters (individually “Unit” and collectively “Equipment”)

Maximum Purchase Price: \$2,500,000

Lease Structure: A lease intended as security transaction; under which all tax benefits will remain with Lessee. The lease will be a net financial lease, and all expenses, including (but not limited to) insurance, maintenance, and taxes, will be for the account of Lessee.

Term: **Lease Commencement Date:** It is anticipated that funding will occur after April 15, 2007.

Lease Term: 7 year term.

**Indicative
Tax Exempt
Interest Rate:**

3.69 % (7 year)

Option A: Prior to funding, the Tax-Exempt Interest Rate will be fixed according to the following formula:

$$(.65 \times 7\text{-year U.S. Treasury}) \text{ plus } .8027 \%$$

Option B: Such indicative Tax Exempt Interest Rate will be held until December 28, 2007. Subsequent to that date and subject to the economic yield maintenance requirements below, the Tax-Exempt Interest Rate will be fixed five business days prior to funding equal to a tax-exempt interest rate of

$$(.65 \times 7\text{-year U.S. Treasury}) \text{ plus } .8027 \%$$

Lessor will maintain its economic yield in the lease outside of the interest rate lock period described above and prior to funding.

Rent: Lessee shall make semiannual payments, each equal to the stated percentage of Maximum Purchase Price, payable in arrears (“**Indicative Rental Rate**”). **This rental amount is indicative only and is comprised of principal and interest at the Tax Exempt Interest Rate based on the following Index:**

Index: The index on which the Tax Exempt Interest Rate is based is the bond-equivalent yield per annum for comparable-year U.S. Treasury obligations as quoted by Bloomberg Daily Market Summary. As of December 6, 2006, the Index was 4.442 % for 7 years.

**Governmental
Entity Lease:**

The Base Rent installments are calculated on the assumptions, and Lessee will represent, that Lessee is a state or political subdivision of a state within the meaning of Section 103(c) of the Internal Revenue Code (the “Code”), and that this transaction will constitute an obligation of Lessee within the meaning of Section 103(a) of the Code, notwithstanding Section 103(b) of the Code. Lessee shall provide Lessor with such evidence as Lessor may request to substantiate and maintain such tax status. Lessee shall comply with the filing requirements of Section 149(e) of the Code. Lessee will pay Lessor amounts calculated at a taxable rate sufficient to maintain Lessor’s yield in the Lease, in the event Lessor suffers a loss of Federal income tax exemption of the interest portion of the rentals.

Early Termination: After the Lease Commencement Date, on any rental payment date and upon 30 days’ notice, Lessee may prepay in full all amounts then outstanding under the Lease, including accrued interest, principal balance, and other unpaid charges according to the following schedule: year 0-3 at 100.5% of outstanding balance and from year 4 forward, at 100% of outstanding balance.

End of Term: At the expiration of the Lease Term, Lessee will purchase all (but not less than all) the Equipment for \$1.00 (“Purchase Price”).

Expenses: Lessee and Lessor will each be responsible for its own expenses incurred in connection with the preparation, negotiation and closing of the lease documentation.

Lease Documents: Master lease documents already negotiated between Lessee and Lessor will be utilized for this transaction with additional schedules, conforming to the details of this financing. Lessee will also provide board resolutions and other documentation required by Lessor. Executed lease documents shall control the final transaction.

Escrow Account: Subject to compliance by Lessee with applicable regulations under the Code, including but not limited to arbitrage reporting, the proceeds of the Lease may be deposited into an escrow acceptable to Lessor, and disbursements made therefrom to pay for equipment upon execution and delivery of an acceptance certificate and related documents by Lessee and approved by Lessor. Funds from this account may be invested according to Lessee instructions, and interest on the account will be for the account of the Lessee.

Lessor will not be responsible for investment fund deadlines negotiated between Lessee and Escrow Agent, nor the failure to meet such deadlines.

Opinion of Counsel:

Lessee's counsel shall deliver an opinion to Lessor at closing in form and substance satisfactory to Lessor concerning the due authorization, execution, delivery, and enforceability of the lease.

Assignment by Lessor:

The Lessor shall be entitled to assign its right, title and interest in the Lease and leased equipment on a private placement basis to qualified purchasers. In addition, Lessor shall be entitled to assign its right, title and interest in the Lease to a trustee for the purpose of issuing certificates of participation or other forms of certificates evidencing an undivided interest in such Lease, provided such certificates are sold only on a private placement basis (and not pursuant to any "public offering") to a purchaser(s) who represent that (i) such purchaser has sufficient knowledge and experience in financial and business matters to be able to evaluate the risks and merits of the investment (ii) such purchaser understands neither the Lease or certificates will be registered under the Securities Act of 1933, (iii) such purchaser is either an "accredited investor" within the meaning of Regulation D under the Securities Act of 1933, or a qualified institutional buyer within the meaning of Rule 144A, and (iv) that it is the intention of such purchaser to acquire such certificates (A) for investment for its own account or (B) for resale in a transaction exempt from registration under the Securities Act of 1933.

Filing Fees:

Lessor will obtain Uniform Commercial Code financing statement searches in Lessee's headquarters and each Equipment location. If Lessor requests, Lessee will also furnish duly executed landlord and mortgage waivers and supporting information. Lessee will also provide board resolutions, incumbency certificates and other documentation required by Lessor.

Patriot Act:

Lessee acknowledges that pursuant to the requirements of the USA Patriot Act (Title III of Pub.L. 107-56 (signed into law October 26,

2001)) (the "Patriot Act"), Lessor is required to obtain, verify and record information that identifies Lessee, which information includes the name and address of Lessee and other information that will allow Lessor to identify Lessee in accordance with the Patriot Act.

Utilization Period: Utilization period will extend until December 6, 2007, or 12 months from the date of documentation closing.

Credit Approval: Lessor will review credit for any fundings that occur more than one year from the date of document closing.

Proposal

Expiration Date: This proposal will expire on January 31, 2007.