

REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

CONSENT
June 21, 2007

Honorable Mayor and
Members of the City Council

Title: Contract: Refuse Truck Acquisition

Location/Council District: Citywide

Recommendation: Adopt a **Resolution:** 1) Awarding a one-year contract to Sacramento Truck Center, the lowest responsible and responsive bidder, for the purchase of 21 refuse trucks in a total amount not to exceed \$4,595,823, with two one-year renewal options to purchase up to an additional 16 refuse trucks for an amount not to exceed \$3,646,079; 2) authorizing the Office of the City Treasurer to secure funding for the acquisition of an initial quantity of 21 refuse trucks, and approve, execute, and deliver related financing documents; and 3) authorizing the Finance Director to amend the Solid Waste and Fleet Management expenditure budgets to reflect the refuse truck procurement and financing as secured by the Office of the City Treasurer for the 21 refuse trucks. Approval of future purchases of the additional refuse trucks is subject to appropriation in the annual budget.

Contacts: Keith Leech, Fleet Manager, 808-5869, Christopher Stewart, Procurement Services Manager, 808-6202.

Presenters: Not Applicable

Departments: General Services

Divisions: Fleet Management

Organization No: 3259

Description/Analysis:

Issue: The Department of General Services, Fleet Management Division has a customer requirement to purchase replacement rear loading and side loading refuse trucks for the Department of Utilities, Solid Waste Division. An initial quantity of 21 trucks will be purchased in the first year (FY2007/08) of the contract. An additional 16 trucks may be purchased in the second and third years of the contract contingent upon adequate budget appropriations.

The Office of the City Treasurer has worked with staff to provide financing

options for the \$4.6 million required for the initial acquisition of 21 refuse trucks. Based on current market conditions the City Treasurer has been able to secure financing at a fixed interest rate of just over 4% for this acquisition.

Policy Considerations: The Office of the City Treasurer has had a Master Lease Equipment Acquisition with Banc of America Public Capital Corporation since 1996 and has provided equipment financing for several other projects. The use of this financing mechanism is prudent and economical.

Committee/Commission Action: Not Applicable

Environmental Considerations: The Environmental Services Manager has determined that the action of purchasing vehicles does not have the potential for causing a significant effect on the environment and is therefore exempt under California Environmental Quality Act (CEQA) Guidelines, Categorical Exemption Section 15061(b)(3).

This purchase is consistent with the City's revised Low Emission Vehicle Acquisition Policy (Resolution No. 2004-613) and Fleet Fuel Strategies (Resolution No. 2005-454). The trucks purchased under the recommended contract will be equipped with Liquefied Natural Gas (LNG) engines that will meet the 2010 emission standard for nitrogen oxides (NOx) and particulate matter. The exhaust emissions of these trucks are substantially less than the trucks they are replacing.

Rationale for Recommendation: Fleet Management, the Department of Utilities, and Procurement Services have worked cooperatively in developing specifications that will best meet the operational requirements of the Department of Utilities. In May 2007, Procurement Services sent out Invitation for Bid No. B071181083, which was developed and administered in accordance with City Code Section 3.56 for the purchase of refuse trucks for use by the Department of Utilities, Solid Waste Division. The initial purchase of 21 trucks will be replacement units. A total of 23 vendors were solicited, and two bids were received. Sacramento Truck Center was determined to be the lowest responsible bidder.

The initial 21 trucks purchased under the recommended contract will replace existing trucks which have exceeded their recommended useful lives. Replacing these vehicles at this time provides the following benefits:

- Reduces on-going maintenance costs by eliminating older trucks with higher maintenance costs
- Saves \$315,000 in particulate trap retrofit costs that would be required if these trucks were not replaced (21 vehicles @ \$15,000 cost per vehicle).
- Leverages a 2007 Sacramento Emergency Clean Air Transportation (SECAT) Program grant opportunity that will reimburse the City \$531,972 of the purchase cost.

Financial Considerations: On June 5, 2007, City Council authorized (Resolution No. 2007-344) the acceptance and execution of a 2007 SECAT Program grant agreement

with the Sacramento Area Council of Governments and the Sacramento Metropolitan Air Quality Management District in the amount of \$531,972 to reimburse the City for a portion of the cost of purchasing the initial 21 vehicles. This grant requires that the City expend funds before being reimbursed, therefore the amount financed under the lease/purchase agreement needs to be 100% of the purchase price.

Numerous financing mechanisms were analyzed by the Office of the City Treasurer. It has been determined the most efficient financing structure is to utilize the City's Master Equipment Lease/Purchase Agreement with Banc of America Public Capital Corporation. The cost of the initial order of 21 refuse trucks will not exceed \$4.6 million.

The terms of the financing arranged by the Office of the City Treasurer for the initial 21 trucks are as follows:

Estimated Amount of Loan:	\$4.6 million
Term of Loan:	10 Years
Estimated Interest Rate:	4.06%
Estimated Annual Debt Service:	\$601,530


See Attachment 1 for detailed terms and conditions.

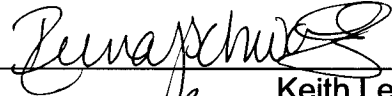
There are sufficient funds available in the Solid Waste Fund annual operating budget from existing rates to pay the annual lease payment estimated at \$601,530. The trucks are estimated to be delivered in April 2008 (FY2007/08). The first lease payment would then be due approximately six months later and paid from the FY2008/09 operating budget.


If it is determined that the Solid Waste operations can absorb the financial impact of the acquisition of the additional 16 trucks that are programmed in the Fleet Replacement Schedule, these trucks will be recommended for purchase as shown below. Approval of the future purchases is subject to appropriation in the annual budget.

Fiscal Year	No. of Trucks	Not-to-Exceed Amount
2008/09	9	\$2,017,028
2009/10	7	\$1,629,051

Emerging Small Business Development (ESBD): Sacramento Truck Center is not certified as an emerging/small business enterprise. Through the third quarter of FY2006/07 the Department of General Services has achieved an ESBD percentage of 65%.

Respectfully submitted by: 
Christopher Stewart
Procurement Services Manager

Respectfully submitted by: 
Keith Leech
Fleet Manager

Approved by: 
Reina J. Schwartz
Director, Department of General Services

Recommendation Approved:

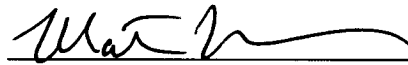

Ray Kerridge
City Manager

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SUMMARY OF TERMS AND CONDITIONS

- Date:** April 2, 2007
- Lessee:** The City of Sacramento, California
- Lessor:** Banc of America Public Capital Corp or its designee (“Lessor”)
- Equipment:** **New refuse trucks** (individually “Unit” and collectively “Equipment”)
- Maximum Purchase Price:** \$4,600,000
- 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.
- Funding Date:** **Lease Commencement Date:** It is anticipated that funding will occur on or about June 2, 2007.
- Lease Term:** 7, 8, 9 or 10 years
- Indicative Tax Exempt Interest Rate:**
- 4.01% (84 months)
 - 4.01% (96 months)
 - 4.04% (108 months)
 - 4.06% (120 months)
- Option A:** Prior to funding, the Tax-Exempt Interest Rate will be fixed according to the following formula:
(0.65 x 5-year U.S. Treasuries) plus 1.0655 (84 months)
(0.65 x 5-year U.S. Treasuries) plus 1.0655 (96 months)
(0.65 x 5-year U.S. Treasuries) plus 1.0955 (108 months)
(0.65 x 5-year U.S. Treasuries) plus 1.1155 (120 months)
- Option B:** Such indicative Tax Exempt Interest Rate will be held until April 2, 2008. 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 as described under the formula in Option A.

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 the first payment in August 2008 and each payment will be due thereafter semi-annually in arrears and based on the lease rate ("**Indicative Rental Rate**"). Payments will be level rents. In the event that the periodicity of payments does not coincide with the actual (7, 8, 9 or 10-year) selected tenor, the last payment will be adjusted to reflect the uneven stub period. **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 April 2, 2007, the Index was 4.53 % for 5 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 as the basis 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.

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 April 2, 2008, 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 May 16, 2007.

Attachment 2

Refuse Trucks - Associated Agreements and Documents

The following documents are not published as part of the agenda package.

They are available for review on the City's Website at www.CityofSacramento.org, or at the Office of the City Clerk:

Office of the City Clerk
915 I Street
HCH, 1st Floor
Sacramento, CA 95814

- A. Schedule of Property No. ___re: Master Equipment Lease/
Purchase Agreement (City Agreement No. 2004-047)
- B. Essential Use/Source of Funds Certificate
- C. Arbitrage and Tax Certificate
- D. Acceptance Certificate
- E. Restricted Account Agreement
- F. Form of Opinion of Counsel
- G. Certificate of Incumbency

RESOLUTION NO. 2007-XXXX

Adopted by the Sacramento City Council

June 21, 2007

AWARD A ONE-YEAR CONTRACT TO SACRAMENTO TRUCK CENTER, THE LOWEST RESPONSIBLE AND RESPONSIVE BIDDER, FOR THE PURCHASE OF 21 REFUSE TRUCKS IN A TOTAL AMOUNT NOT TO EXCEED \$4,595,823 WITH TWO ONE-YEAR RENEWAL OPTIONS TO PURCHASE UP TO AN ADDITIONAL 16 REFUSE TRUCKS FOR AN AMOUNT NOT TO EXCEED \$3,646,079; AUTHORIZE THE OFFICE OF THE CITY TREASURER TO SECURE FUNDING FOR ACQUISITION OF AN INITIAL QUANTITY OF 21 REFUSE TRUCKS, AND APPROVE, EXECUTE, AND DELIVER RELATED FINANCING DOCUMENTS; AND AUTHORIZE THE FINANCE DIRECTOR TO AMEND THE SOLID WASTE AND FLEET MANAGEMENT EXPENDITURE BUDGETS TO REFLECT THE REFUSE TRUCK FINANCING AS SECURED BY THE OFFICE OF THE CITY TREASURER.

BACKGROUND

- A. The Department of General Services, Fleet Management Division has a customer requirement to purchase replacement refuse trucks for the Department of Utilities.
- B. The Office of the City Treasurer has had a Master Lease Equipment Acquisition with Banc of America Public Capital Corporation since 1996 and has provided equipment leasing/financing for several other projects. The use of this financing mechanism is prudent and economical. The City will utilize this financing structure to fund \$4.6 million for the acquisition of the initial 21 refuse trucks.
- C. The source of repayment for the lease financing will be the Solid Waste Fund operating budget from existing rates.
- D. It is desirable and necessary to approve the forms of the various financing documents and to authorize the Office of the City Treasurer to perform the functions necessary to secure financing.
- E. The remaining 16 trucks to be purchased under the recommended contract are scheduled for replacement in FY2008/09 and FY2009/10. Funds to purchase these trucks will come from the Department of Utilities, Solid Waste Division operating budget and will be contingent upon approval of FY2008/09 and FY2009/10 budget appropriations. Pricing for these additional quantities is fixed in the second and third years per the terms of the contract, not to exceed \$3,646,080.

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

- Section 1. The one-year contract for the purchase of 21 refuse trucks from Sacramento Truck Center in an amount not to exceed \$4,595,823 with two one-year renewal options to purchase up to an additional 16 refuse trucks for an amount not to exceed \$3,646,079 is hereby awarded.
- Section 2. The contract with Sacramento Truck Center provides for an initial term of one-year, with the option to renew for two additional one-year terms up to a total contract term of three years (including the initial term and all extensions). The City Manager may authorize such extension(s) for the total not to exceed amount specified above, provided that sufficient funds are available in the budget adopted for the applicable fiscal years.
- Section 3. The Office of the City Treasurer is hereby authorized to secure funding for the acquisition of an initial quantity of 21 refuse trucks, and approve, execute and deliver the related financing documents.
- Section 4. The Finance Director is hereby authorized to amend the Solid Waste and Fleet Management expenditure budgets to reflect the refuse truck financing and procurement of the 21 refuse trucks as secured by the Office of the City Treasurer. Approval of future purchases is subject to appropriation in the annual budget.