



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-16

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May 10, 2011

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute a Multi-Year Master Lease Agreement and all related documents with Banc of America Public Capital Corporation.
(Citywide)

DISCUSSION

Authorization is requested to enter into a Multi-Year Master Lease Agreement with Banc of America Public Capital Corporation in order to streamline the financing and acquisition of eligible assets. Currently, the City prepares Requests for Proposals (RFP) as each department or entity of the City requests lease financing for equipment, software or other eligible assets. The process requires the preparation of an RFP for each asset, and sometimes multiple approvals of the original purchase and financing. This process is inefficient not only because it requires significant staff resources, but also because separate, and therefore smaller, lease transactions receive less or no market attention and less advantageous pricing. Using a Master Lease Agreement, City purchases that are lease finances such as computers, software systems, and higher cost equipment purchases such as fire trucks, could be handled more efficiently and at lower cost.

Under a Master Lease Agreement, the City could enter into multiple individual lease agreements whose terms will be governed by the Master Lease Agreement. The individual leases will range in terms from two years to ten years, depending on the life of the asset. Pricing can occur up to five business days before funding is needed, thereby providing flexibility for pricing new financing requirements. The pricing formula provides for a fixed interest rate spread over the U.S. Treasury curve of like terms, adjusted to a tax-exempt rate.

The Master Lease Agreement will improve the implementation of future City Council approved leasing activities, provide more flexibility in pricing, and streamline the internal administrative burden for leases, especially those less than \$1,000,000. Each purchase and resultant individual lease executed using the Master Lease Agreement must be approved by the City Council.

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On March 8, 2011, the RFP for Master Lease Agreement was released, with a due date for proposals set for March 29, 2011. The RFP was advertised on the City's website, notifying 209 potential bidders. Of those potential bidders, 23 downloaded the RFP via our electronic bid system. The RFP document was made available through the Purchasing Division and the Division's website at www.longbeach.gov/purchasing. An RFP announcement was also included in the Purchasing Division's weekly update on Open Bid Opportunities, which was sent to local, minority and women's business groups. Two responses were received. Neither were minority-owned Business Enterprises (MBEs), none were Woman-owned Business Enterprises (WBEs), Small Business Enterprises (SBEs) or local businesses.

After evaluation of the proposals, Banc of America Public Capital Corporation offered the best terms for the Master Lease Agreement; therefore, we are recommending Banc of America Public Capital Corporation for a one-year Master Lease Agreement with an option to renew for three one-year extensions based on:

- Specified spreads over the U.S. Treasury Yield Curve (tax adjusted) for terms of two years to ten years.
- Provision of the same competitive pricing not impacted by transaction size (minimum \$100,000).
- Purchase of eligible assets including capitalized software, hardware, vehicles, etc.

This item was reviewed by Deputy City Attorney Amy R. Burton on April 7, 2011 and Budget Management Officer Victoria Bell on April 11, 2011.

TIMING CONSIDERATIONS

City Council action is requested on May 10, 2011, to enable the City to enter into the Master Lease Agreement to fund potential new lease financing projects beginning in June 2011.

FISCAL IMPACT

The total estimated amount outstanding of the Master Lease Agreement is \$65,000,000 that could be utilized over the next four years. The first year of the lease will be in the amount of approximately \$15,000,000 with an option to extend the line for up to three more years for an amount to be established annually. The cost associated with each draw will depend on interest rates at the time of pricing; however, City Council approval of each project and lease financing recommendation remains a requirement and sufficient funds will have to be budgeted by the requesting department in order to fund the lease obligations under this agreement. There is no local job impact related to this item.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



DAVID S. NAKAMOTO
ACTING DIRECTOR OF FINANCIAL MANAGEMENT

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APPROVED:



PATRICK H. WEST
CITY MANAGER