



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-25

333 West Ocean Blvd • Long Beach, California 90802

July 10, 2007

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute a Master Lease Agreement and all related documents with SunTrust Leasing Corporation for a term of three years for a notional amount not to exceed \$10,000,000 with an option to extend the initial term for two years, for any remaining notional amount. (Citywide)

DISCUSSION

Historically 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, and sometimes multiple Council letters for approval 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 market attention and less advantageous pricing. There is a more efficient financing model known as a Master Lease Agreement. Examples of City purchases that are lease finances include computers, core software systems, and higher cost equipment purchases such as fire trucks.

Under a Master Lease Agreement, the City enters 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 the ultimate in 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 \$500,000. Each purchase and resultant individual lease executed using the Master Lease Agreement must be approved by the City Council.

The Financial Management Department conducted a formal bid process to secure the most favorable lease financing terms. Requests for bids were solicited from 116 registered "Financial Services" vendors of which 20 were classified as minority-owned

business enterprises (MBEs). Seven firms responded. After valuation of the proposals, SunTrust Leasing Corporation offered the best terms for the Master Lease Agreement; therefore, we are recommending SunTrust Leasing Corporation for the Master Lease Agreement for three years with an option to extend for an additional two years based on:

- Specified spreads over the U.S. Treasury Yield Curve (tax adjusted) for terms of up 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 matter was reviewed by Deputy City Attorney Lori Conway on June 4, 2007 and Budget and Performance Management Bureau Manager David Wodynski on May 31, 2007.

TIMING CONSIDERATIONS

City Council action on this item is requested on July 10, 2007, to enable the City to enter into the Master Lease Agreement to fund potential new lease financing projects beginning in July 2007.

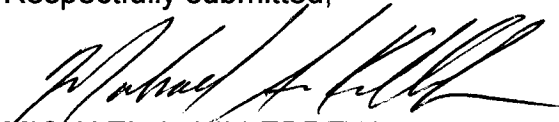
FISCAL IMPACT

The total notional amount outstanding of the Master Lease Agreement is \$10,000,000, that could be utilized over the next three years and if necessary, extended for two additional years. 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. Sufficient funds will have to be budgeted by the requesting department in order to fund the lease obligations under this agreement.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL A. KILLEBREW
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:


CHRISTINE F. SHIPPEY
ASSISTANT CITY MANAGER