

CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

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July 21, 2015

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute an equipment lease-purchase agreement and related financing documents with Banc of America Public Capital Corporation (BAPCC), a Kansas Corporation, for the financing of the Advanced Metering Infrastructure (AMI) project, in an amount not to exceed \$18,500,000, plus interest and fees, payable over a 15-year period. (Citywide)

DISCUSSION

City Council approval is requested to authorize the City Manager to finance the project costs for the Long Beach Gas and Oil Department (LBGO) Advanced Metering Infrastructure (AMI) project through an equipment lease-purchase agreement with BAPCC. Lease financing provides a cost-effective approach to facilitate the purchase of essential capital assets to meet immediate service demands.

On June 10, 2014, the City Council authorized the City Manager to execute contracts and amendments with Sensus USA, Inc., Harris Utilities, Utility Partners of America and Utiliworks Consulting, to deliver and install an AMI system, to initiate the financing process with the City Attorney and City Treasurer, and to return to City Council for financing approval.

On December 23, 2014, the City Treasurer's Office polled the 17 financial firms in the City's investment banking pool, to solicit financing proposals utilizing tax exempt bonds, commercial paper, a revolving line of credit, or lease-purchase financing for the AMI project. On January 15, 2015, the City received six proposals. Of those six proposals, five firms offered to underwrite bonds, and one firm offered to execute an equipment lease-purchase agreement. A selection committee, comprised of the City Treasurer, Debt Manager, LBGO Financial Services Officer, and the City's financial advisor, reviewed the proposals and evaluated each firm. The selection committee determined that BAPCC submitted the best financing terms, based on their ability to execute the financing and cost structure most advantageous to the City.

This matter was reviewed by Deputy City Attorney Richard Anthony on June 30, 2015 and by Budget Management Officer Victoria Bell on July 2, 2015.

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TIMING CONSIDERATIONS

City Council action is requested on July 21, 2015, to ensure timely implementation of the AMI project.

FISCAL IMPACT

The total amount to be financed under the BAPCC equipment lease-purchase agreement, including issuance costs, will not exceed \$18,500,000. Annual debt service and escrow administration fees are estimated to not exceed \$1,500,000, for a term of 15 years, at a rate that is currently at 2.40 percent and not to exceed 3 percent. The final contractual interest rate will be determined at execution, subject to market conditions. The AMI project will be funded entirely by the Gas Fund (EF 301) in the Long Beach Gas and Oil Department (GO) through the lease financing, and using current Gas Fund appropriation designated for the project. Lease payments will be paid using a combination of the estimated \$1,400,000 in annual savings achieved by eliminating the gas portion of the manual meter reading contract with Corix and Gas Fund revenues. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



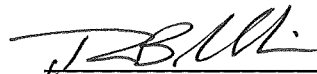
JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

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APPROVED:



PATRICK H. WEST
CITY MANAGER