



CITY OF POMONA COUNCIL REPORT

March 19, 2018

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted by: Meg McWade, Public Works Director
Onyx Jones, Finance Director
Mike Olivieri, Chief of Police

Subject: **Rescind Previous Award of Master Lease Agreement to Holman Capital Corporation for the Financing of the Capital Improvement Program (CIP) Project "City Hall AC Control System Upgrade," Project No. 428-2590-XXXX-71039; and Award a New Master Lease Agreement to BBVA Compass Bank, in the Amount of \$2,349,563 for "City Hall AC Control System Upgrade", Purchase of Twelve (12) Police Department Vehicles, and all Related Financing Fees; and Award the Purchase of Twelve (12) New/Replacement 2018 Ford Utility Police Interceptor Vehicles to National Auto Fleet Group in an Amount Not to Exceed \$374,832**

OVERVIEW

Recommendations – That the City Council:

- a. Rescind the previously approved award of new Master Lease Agreement to Holman Capital Corporation (Holman) for the financing of "City Hall AC Control System Upgrade," Project No. 428-2590-xxxx-71039, in the amount of \$1,727,207;
- b. Authorize a new Master Lease Agreement with BBVA Compass Bank (BBVA), for the financing of "City Hall AC Control System Upgrade," Project No. 428-2590-xxxx-71039, the purchase of 12 Police Department vehicles and all related financing fees, on a 10-year lease for a total amount not-to-exceed \$2,349,563 at a 3.12% interest rate;
- c. Authorize the award of the purchase of twelve (12) Police Department Vehicles to National Auto Fleet not to exceed the amount of \$374,832;
- d. Adopt the attached Resolution amending FY 2017-18 Capital Outlay Budget by increasing Lease Proceeds revenues by the amount of \$606,056 and appropriating the same amount in acct#418-2010-66182-70976 for the purchase of 12 Police Department vehicles and the cost to fully equip the vehicles;

- e. Adopt the attached resolution amending CIP Budget by increasing Lease Proceeds revenues by the amount of \$16,300 and appropriating the same amount for “City Hall AC Control System Upgrade,” Project No. 428-2590-xxxx-71039 for financing related fees;
- f. Authorize the City Manager to execute all necessary documents related to the purchase of Police Department vehicles, subject to review of the City Attorney.
- g. Authorize the Finance Director to execute any and all necessary documents related to rescinding the previously approved New Master Lease Agreement with Holman and awarding the New Master Lease Agreement with BBVA, subject to review by the City Attorney.

Fiscal Impact – The original lease award to Holman Capital Corporation for “City Hall AC Control System Upgrade,” Project No. 428-2590-xxxxx-71039, was in the amount of \$1,727,207. The lease rate approved at the December 18, 2017 Meeting was 2.9%. When Staff began the agreement execution process, Holman indicated the market had changed and the revised rate would be 3.6% but it could not be locked in and the rate could go as high as 4.5%. Because Holman could not honor the original interest rate, Staff moved forward with a process to obtain new lease agreement quotes and included the purchase of twelve (12) Police Department vehicles in the amount of \$606,056. The cost to purchase 12 new/replacement police patrol specialty vehicles is \$374,832 and the cost to fully equip the vehicles is \$231,224, for a total cost of \$606,056.

Based on the proposals, BBVA was selected and is willing to provide the City leasing terms as follows:

- a) Amount financed - \$2,349,563 (\$1,727,207- AC, \$606,056 - PD vehicles, and \$16,300 Financing Related Fees)
- b) Interest rate at 3.12% for the 10-year lease.
- c) Amount of financing for the 10-year term (principal - \$2,349,563 and interest - \$318,678.52) is \$2,668,241.52.

The debt service schedule and proposed funding source for payments are as follows:

Year	Debt Service	General Fund (Fund 101)*	Building and Equipment Replacement Fund (Fund 434)**
1 (FY 18-19)	\$445,021	\$211,883	\$233,138

Rescind New Master Lease Agreement with Holman Capital, Award New Master Lease Agreement with BBVA for CIP Project “City Hall AC Control System Upgrade,” Project No. 428-2590-XXXXX-71039 and 12 PD Vehicles; and Award of Purchase of 12 PD Vehicles
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2 (FY19-20)	\$432,924	\$211,883	\$221,041
3 (FY20-21)	\$421,231	\$211,883	\$209,348
4 (FY21-22)	\$209,095	\$209,095	0
5 (FY22-23)	\$203,706	\$203,706	0
6 (FY23-24)	\$198,317	\$198,317	0
7 (FY24-25)	\$192,928	\$192,928	0
8 (FY25-26)	\$187,539	\$187,539	0
9 (FY26-27)	\$182,151	\$182,151	0
10 (FY27-28)	\$176,762	\$176,762	0

*The City currently has two leases for vehicles and building improvements that are paid from the General Fund (Fund 101) with an annual debt payment of \$288,866 for both. The final payment for one of the leases will occur in FY 17/18, with the final payment of \$68,756.12 for the second lease expiring in FY 18/19. In FY 18/19 the total budget for the remaining lease payment and the new BBVA lease payment will be \$280,639.12. In FY 21/22 and thereafter, the full amount of the lease payment will be paid from the General Fund for the new lease.

**The City currently has funding in the Building and Equipment Replacement Fund (Fund 434) to help offset the difference in the first three years as the police vehicles are being funded. The total contribution over the three years from the Building and Equipment Replacement Fund would be \$669,350.

Previous Council Action – On December 18, 2017, the City Council authorized approval of: (1) a new Master Lease Agreement with Holman Capital Corporation to fund CIP Project “City Hall AC Control Systems Upgrade,” Project No. 428-2590-xxxx-71039, (2) an increase to the revenues and appropriated the lease proceeds in the amount of \$1,727,207 to the project, (3) awarded a construction contract to ACCO Engineering Systems in the amount of \$1,428,034.38, and 4) awarded a construction management services contract to the Gordian Group in the amount of \$84,968.05.

On March 21, 2016, the City Council approved the purchase of (8) Police Interceptor vehicles from National Auto Fleet Group as part of a piggy-back purchase between National Auto and the National Joint Powers Alliance (NJPA) and on January 22, 2018, the City Council approved 10-8 Retrofit to provide Police patrol unit build outs.

Rescind New Master Lease Agreement with Holman Capital, Award New Master Lease Agreement with BBVA for CIP Project “City Hall AC Control System Upgrade,” Project No. 428-2590-XXXXX-71039 and 12 PD Vehicles; and Award of Purchase of 12 PD Vehicles
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EXECUTIVE SUMMARY

This action will rescind approval of the New Master Lease Agreement with Holman Capital Corporation to fund “City Hall AC Control System Upgrade,” Project No. 428-2590-xxxxx-71039 in the amount of \$1,727,207 which was awarded on December 18, 2017. In order to take advantage of a more competitive interest rate, a new request for proposal (RFP) was initiated through the City’s Financial Advisor, Urban Futures (UFI), which included the “City Hall AC Control System Upgrade” (\$1,727,207) and twelve (12) Police Interceptor vehicles (\$606,056). This Council action will enter the City in a New Master Lease Agreement with BBVA Compass Bank for a 10 year lease, at an interest rate of 3.12%, and financing related fees of \$16,300, which includes fees for UFI. This lease will finance the purchase of 12 new/replacement Police patrol/specialized vehicles from National Auto Fleet Group on a “piggy-back” through the National Joint Powers Alliance (NJPA) and their agreement with the National Auto Fleet Group of Watsonville, CA. The vehicle builds would utilize the Department’s current vehicle build out vendor, 10-8 Retrofit, to equip the new vehicles. The amount for both of these services total \$606,056.

DISCUSSION

New Master Lease Agreement

The City requires funding for the “City Hall AC Control System Upgrade,” Project No. 428-2590-xxxxx-71039 in the amount of \$1,727,207 and twelve (12) replacement Police Interceptor vehicles and equipment in the amount of \$606,056. The City’s past practice has been to purchase General Fund capital equipment through competitive leasing agreements. As with the City’s other lease agreements, when the lease is paid in full the items purchased through the agreement are the sole property of the City with no additional buy-out required. The lease purchase funds will be placed in an escrow account and will be invested into short term government securities until such time that the equipment and work is completed and accepted by the City. Upon acceptance, the invoices are forwarded to the escrow company for payment. At the end of the escrow period, unexpended funds as well as interest earned, is returned to the City.

On December 18, 2017, the City Council approved a Master Lease Agreement with Holman Capital Corporation (Holman Capital) for the “City Hall AC Control System Upgrade” in the amount of \$1,727,207 at an interest rate of 2.9%. Holman Capital contacted the City shortly after City Council approval advising that the company would not be able to keep the interest rate at 2.9% and the interest rate could increase to a rate as high as 4.5%. The reason for the increase in rates was due to the corporate rate tax increasing January 1, 2018. The City advised Holman Capital that the Company would need to honor the proposed rates or the Agreement could not be executed. Since Holman Capital could not provide the original rate, Staff is requesting to rescind the award with Holman Capital Corporation. On February 8, 2018 the City re-bid for financing of the “City Hall AC Control System Upgrade,” Project No. 428-2590-xxxx-71039, and included the financing for the acquisition of twelve (12) new replacement utility vehicles plus the cost of retrofitting them for the use as Police Interceptor vehicles. Proposals for lease-purchase financing

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were received from six (6) qualified municipal leasing companies:

City Hall HVAC System Replacement (10-Year Lease Term)

<i>Leasing Bank</i>	<i>Lease Amount</i>	<i>Interest Rate</i>	<i>Rate Period</i>	<i>Rate Lock Rate</i>	<i>Rate Lock Period</i>	<i>Bank Fees</i>	<i>Pre-Pay Options</i>
BBVA Compass	\$1,727,207	3.12%	4/30/18	3.12%	4/30/18	\$8,500	At Par After Year-5
Banc of America Capital Corp	\$1,727,207	3.14%	4/30/2018	3.14	4/30/2018	\$0	At Par After Year-5
BB&T	\$1,727,207	3.43%	4/1/2019	N/A	N/A	\$3,000	N/A
Signature Pubic Funding	\$1,727,207	3.54%	3/1/18	N/A	N/A	\$0	102% at 9/22 101% Thereafter
JP Morgan Chase	\$1,727,207	3.39%	2/23/18	3.57%	4/23/18	\$0	At Par After 1 st Year
PNC Equipment Finance*	\$1,727,207	3.726%	3/9/18	3.876%	3/23/18	\$350	At Par After Year 5

12 Police Vehicles (3-Year Lease Term)

<i>Leasing Bank</i>	<i>Lease Amount</i>	<i>Interest Rate</i>	<i>Rate Period</i>	<i>Rate Lock Rate</i>	<i>Rate Lock Period</i>
BBVA Compass	\$606,056	3.12%	4/30/18	3.12%	4/30/18
Banc of America Capital Corp	\$606,056	3.14%	4/30/2018	3.14%	4/30/2018
BB&T	\$606,056	2.88%	4/1/2019	N/A	N/A
Signature Pubic Funding	\$606,056	2.94%	3/1/18	N/A	N/A
JP Morgan Chase	\$606,056	3.39%	2/23/18	3.57%	4/23/18
Umpqua Bank**	\$606,056	4.00%	2/23/18	N/A	N/A

Notes: * PNC Equipment Finance bid only on the HVAC system
 ** Umpqua Bank bid on the police vehicles only

After further negotiations, BBVA not only provided the lowest interest rate at 3.12% but they locked in the rate for 60 days and allowed for a prepayment in whole or in part on outstanding principal and interest balance beginning on the third anniversary date of the loan closing.

Police Vehicles

Each year, the Fleet and Facilities Manager evaluates Police Department vehicle needs for both marked and unmarked fleet vehicles. Following this evaluation, it has been determined that twelve (12) vehicles have been identified to be replaced due to mileage and/or age. The vehicles to be replaced are as follows:

Year	Make/Model	City ID #	Division
2007	Ford Crown Vic	20682	Operations
2005	Ford Crown Vic	20605	Operations

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2010	Ford Crown Vic	20711	Operations
2011	Ford Crown Vic	20715	Operations
2011	Ford Crown Vic	20718	Operations
2011	Ford Crown Vic	20717	Operations
2011	Ford Crown Vic	20712	Operations
2011	Ford Crown Vic	20716	Operations
2007	Ford Crown Vic	20698	Operations
2007	Ford Crown Vic	20677	Operations
2002	Ford Crown Vic	20552	ISD
2002	Ford Crown Vic	20525	ISD

Pursuant to City Administrative Policy 89.60.14, Police Patrol Sedans should be replaced at 6 years or 90,000 miles. All of the vehicles listed above meet those standards for replacement pursuant to the Policy.

The purchase of the (12) new/replacement Police patrol/specialized vehicles will be through National Auto Fleet Group of Watsonville, CA. This purchase will “piggy-back” on the current and most recent contractual agreement between National Auto Fleet Group and the National Joint Powers Alliance (NJPA). As such, pursuant to Section 2-973 of the City’s Purchasing Ordinance, *Cooperative purchasing*, the City “shall be authorized to join with other units of government in cooperative purchasing plans so that the best interest of the city shall be served thereby.” Staff has reviewed the contractual agreement between National Auto Fleet Group and NJPA and it has been determined that it meets Pomona’s Purchasing Ordinance standards. Evidence of the Agreement is attached to this report.

SUMMARY

The amount financed will be \$2,349,563, of which \$1,727,207 will be for the “City Hall AC Control System Upgrade”, \$606,056 will fund twelve (12) replacement Police Interceptor vehicles and related equipment and \$16,300 will fund all financing related fees. The debt will be paid over a 10 year period with the first payment due on June 30, 2019. The total cost of the project, including interest, will be \$2,668,241.52 and is proposed to be funded from General Fund (Fund 101) and Building and Equipment Replacement Fund (Fund 434) as outlined in the Fiscal Impact Section of this report. To move these vital capital purchases forward, Staff recommends City Council rescind the previous award of a New Master Lease Agreement to Holman and award a New Master Lease Agreement to BBVA.

Attachment 1: Resolution

Attachment 2: Agreement between National Auto Fleet Group and NJPA

Prepared by: Dennice Raygoza, Senior Management Analyst
18-043