



City Council Agenda Item

City Council Meeting Date: December 19, 2023

TO: Dean Albro, City Manager

FROM: Christie Donnelly, Management Services Director
C_donnelly@ci.lompoc.ca.us

SUBJECT: Adoption of Resolution No. 6628(23) Approving Lease with Option to Purchase Financing for Replacement Fleet Vehicles and the Budgeted Street Lighting Replacement Project, and Approving Additional Appropriations

Recommendation:

Staff recommends the City Council adopt Resolution No. 6628(23) (Attachment 1):

- 1) Authorizing the City Manager and Management Services Director to execute the necessary agreements to finance replacement vehicles and the Street Lighting replacement project scheduled during Fiscal Years (FYs) 2023-25 with various terms up to 15 years for a total amount up to \$9,369,526;
- 2) Approving related additional appropriations in Solid Waste for \$160,000, and in Electric for \$50,000;
- 3) Awarding the Municipal Master Financing to Bank of America or other responsive proposers if the City is unable to consummate the process with Bank of America.

Background:

The City has historically pursued lease financing for capital purchases of high-value, long-life replacement fleet vehicles to match the capital costs with the vehicles' expected life spans. Until the City develops and implements vehicle funding policies to reserve adequate funds for capital replacements, the most cost-effective method to replace vehicles is with the use of capital financing.

Purchases of certain capital replacements were provided for in the adopted Biennial Budget FYs 2023-25 (2023-25 Budget) from resources to be provided from capital financing, along with a Street Lighting replacement project from the Electric Fund. Subsequently, at the October 3, 2023, City Council meeting, a sole source contract was

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approved for the purchase of the first Solid Waste roll off truck, and at the November 5, 2023, meeting, a proposal was made for appropriations for eight Solid Waste collection vehicles in addition to the two that were included in the 2023-25 Budget.

Discussion:

Typically, lease financing provides for the purchase of equipment or infrastructure, such as vehicles, unless an agency has access to more cost effective sources of funding, such as internally generated vehicle replacement reserves. The City does not have such dedicated vehicle replacement reserves.

The Municipal Master Financing was noticed, advertised, and bid in accordance with the procedures of the Uniform Public Construction Cost Accounting Act (Public Contract Code sections 22000-22045), which has been incorporated in the Lompoc Municipal Code (Sections 3.36.025 and 3.36.030).

On October 12, 2023, the Request for Proposals (RFP) (Attachment 2) was issued and proposals were accepted by email and U.S. mail through the ending date of October 31, 2023.

The City received two responsive, and three alternate non-responsive, proposals to the RFP (Attachment 3). Each responsive proposal provided terms acceptable under the RFP for length and timing of payments. The two responsive bids received were the following:

Firm	7 Year Term	10 Year Term	15 Year Term
Bank of America	4.342%	4.4819%	4.6148%
Holman Capital	5.69%	5.80%	5.94%

Fiscal Impact:

The proposed issuance of capital financing for the equipment replacement was included in the 2023-25 Budget.

The 2023-25 Budget and additional requested appropriations provided for capital purchases utilizing the following lease financing as the source of funds:

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FYs 2023-2025 Replacement Vehicles and Projects					
Division	Vehicle/Project Type	Quantity	Estimated cost	Current Appropriations	Additional Appropriations
Solid Waste	Collections	10	4,609,526	5,000,000	0
Solid Waste	Roll Off	2	470,000	500,000	0
Solid Waste	Excavator	1	390,000	285,000	105,000
Solid Waste	Loader	1	415,000	360,000	55,000
Electric	Street Lighting	1	2,100,000	2,127,597	0
Electric	Aerial Lift Trucks	2	750,000	700,000	50,000
Electric	Digger/Derrick	1	400,000	400,000	0
Electric	Bucket Truck	1	235,000	275,000	0
Total			9,369,526	9,647,597	\$210,000

The above list, with revised estimated costs provided by the Fleet department, results in a need for additional appropriations in the Solid Waste fund for \$160,000, and for \$50,000 in the Electric fund, as shown below:

759SWL – 753060 \$105,000

759SWL – 755060 \$ 55,000

752EDS – 753060 \$ 50,000

The 2023-25 Budget includes lease proceeds in Electric (752REL-482850) for \$1,100,000, and \$1,980,000 in Solid Waste (759RSW-482850). This resolution would also increase these amounts to \$3,485,000 in Electric (increase of \$2,385,000), and \$5,884,526 in Solid Waste (increase of 3,904,526).

The following schedule of projects and activities was included in the RFP (Attachment 2) for lease financing, and subsequently updated by addendum with revised estimated costs:

Replacement Vehicles/Projects	Quantity	Original Amount	Revised Amount	Term
Solid Waste Side Load Collection	8	2,990,000	\$3,796,276	7 years
Solid Waste Rear Load Collection	2	761,250	813,250	7 years
Solid Waste Roll Off	2	470,000	470,000	7 years
Solid Waste Excavator	1	285,000	390,000	15 years
Solid Waste Loader	1	295,000	415,000	15 years
Electric Bucket Truck	1	235,000	235,000	10 years
Electric Aerial Lift Trucks	2	700,000	750,000	10 years
Electric Digger/Derrick	1	400,000	400,000	10 years
Electric Street Lighting replacement	1	2,100,000	2,100,100	15 years
Total Financing		8,146,250	9,369,526	

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The lease terms included in the RFP are fixed rate, fully amortized loan(s) with semi-annual payments of principal and interest in arrears with seven-, ten-, or fifteen-year terms depending upon the asset's estimated financial life. Funds are anticipated to be available for payment of acquisition costs beginning in December 2023. The proposed fixed rate bid will be good for 45 days from the proposal due date of October 31, 2023.

The City will be able to conserve available operating cash to be used for operational costs, by utilizing the financing products to meet the department's capital needs.

The RFP provides the lease proceeds to be deposited to an escrow fund upon closing of the financing.

Conclusion:

Awarding the Municipal Master Financing to Bank of America, or other responsive proposers if the City is unable to consummate the process with Bank of America, by the adoption of Resolution No. 6628(23), will allow the City, but not obligate it, to execute agreements to secure financing, at favorable rates, for new purchases of assets, as identified in this staff report.

Respectfully submitted,

Christie Donnelly, Management Services Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Dean Albro, City Manager

Attachments: 1) Resolution No. 6628(23)
2) Request for Proposal – issued October 12, 2023
3) Proposals Received