



# **CITY COUNCIL AGENDA REPORT**

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MEETING DATE: DECEMBER 6, 2005

ITEM NUMBER:

**SUBJECT: RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A LEASE AGREEMENT FOR CAPITAL IMPROVEMENTS KNOWN AS THE TEWINKLE PARK ATHLETIC FIELD COMPLEX AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS IN CONNECTION THEREWITH**

**DATE: NOVEMBER 18, 2005**

**FROM: FINANCE DEPARTMENT /ADMINISTRATION DIVISION**

**PRESENTATION BY: MARC PUCKETT, DIRECTOR OF FINANCE**

**FOR FURTHER INFORMATION CONTACT: MARC R. PUCKETT (714) 754-5243**

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## **RECOMMENDATION:**

Approve the attached resolution number \_\_\_\_\_ authorizing the execution and delivery of a lease agreement for capital improvements known as the Tewinkle Park Athletic Field Complex and authorizing and directing certain actions in connection therewith.

## **BACKGROUND:**

As part of the Fiscal Year 2005-2006 Adopted Operating Budget, the City Council approved the renovation and development of the Tewinkle Park Athletic Fields Complex. The budget, as adopted, anticipates that the project costs related to the construction and renovation of the Tewinkle Park Athletic Fields would be financed.

As a part of the Tewinkle Park Master Plan, the athletic field complex elements provides for three (3) softball fields and one baseball (hardball) field to be located on the westerly portion of the park. At the August 16, 2005, City Council meeting a construction contract in the amount of \$3,202,106 was awarded to Lehman Construction for construction of the athletic fields.

After a review of the debt structure of a Certificate of Participation versus a standard lease financing, it was determined that it was more desirable to enter into a lease financing since this structure offered lower annual debt service payments and lower financing costs overall. Municipal Finance Corporation provided the overall lowest net interest cost for a bank-qualified lease financing at 3.95% for a period of seven years with semi-annual payments. This rate compares favorably with the City's other existing lease financings which have an average net interest cost of 4.90%.

Council approval of a financing resolution is needed at this time to complete the financing and fund the costs of the capital improvements at the Tewinkle Park Athletic Fields Complex. Execution of the lease documents would be subject to the final approval of legal counsel as to form and content of the lease documents prior to funding the lease.

**ANALYSIS:**

In order to facilitate execution of the lease agreement, the City Council must adopt the attached financing resolution. The attached resolution will authorize the execution of the lease and completion of the debt issuance. The Council has previously approved the award of a contract to Lehman Construction for construction of the Tewinkle Park Athletic Fields Complex and the financing as anticipated through the adoption of the 2005-2006 operating budget.

Issuance of debt at this interest rate level (3.95%) will allow the City to take full advantage of the legal arbitrage opportunity created by financing the purchase. This opportunity is created by the City's ability to issue debt on a tax-exempt basis and as a "small issuer" pursuant to applicable Internal Revenue Code regulations. Issuing debt as a small issuer allows the City to pass through certain tax credits to those that purchase the City's debt which increases their yield on their investment and lowers the City's cost of money. Small issuer exemptions are available to public agency issuers who anticipate issuing less than \$10 million in debt during the calendar year in which the debt is issued.

All documents appurtenant to the financing are subject to legal review prior to funding the debt issuance at closing. Closing is anticipated to take place within two weeks after passage of the attached resolution.

**ALTERNATIVES CONSIDERED:**

No alternatives were considered.

**FISCAL REVIEW:**

Approval of the attached financing resolution is necessary to provide the funding for the construction of the Tewinkle Park Athletic Field Complex public improvements. The approval of the attached resolution would obligate the City to pay equal payments of \$284,475.63 semi-annually for seven years at a rate of interest of 3.95%. If the financing is not approved, the project could not proceed absent identification of an alternate source of funding. The total project costs are anticipated to be approximately \$3,450,000.00 for the acquisition and construction of the capital improvements and the total interest expense over the seven-year period is \$532,658.82. The City does have the option of pre-paying the lease financing should it be determined that it is beneficial and economical to do so.

**LEGAL REVIEW:**

The attached resolution has been reviewed and approved as to form.

**CONCLUSION:**

It is recommended that City Council approve the attached resolution authorizing the execution and delivery of a lease agreement for capital improvements known as the Tewinkle Park Athletic Field Complex and authorizing and directing certain actions in connection therewith by the appropriate City Officials.

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MARC R. PUCKETT  
Director of Finance

Attachment:

(1) [Resolution number \\_\\_\\_\\_\\_ authorizing the execution and delivery of a lease agreement for the purpose of constructing the Tewinkle Park Athletic Field Complex Capital Improvements.](#)