



CITY COUNCIL AGENDA REPORT

MEETING DATE: DECEMBER 6, 2005

ITEM NUMBER:

SUBJECT: RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A LEASE FOR THE FINANCING OF THE ACQUISITION OF COMPUTER HARDWARE AND SOFTWARE FOR PHASE TWO OF THE POLICE DEPARTMENT COMPUTER SYSTEM REPLACEMENT PROJECT, AND AUTHORIZING 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

RECOMMENDATION:

Approve the attached resolution number _____ authorizing the execution and delivery of a lease agreement for the financing of the acquisition of computer hardware and software for Phase Two of the Police Department System Replacement Project 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 acquisition of computer hardware and software for Phase Two of the Public Safety System Replacement Project. The budget, as adopted, anticipates that the project costs related to the acquisition and implementation of Phase Two of the system replacement project would be financed.

A contract in the amount of \$761,299 for the purchase of 80 Mobile Data Computers (MDCs) was awarded to Motorola at the Council meeting of September 20, 2005. This contract was one of the initial elements of implementation of Phase Two of the Public Safety System Replacement Project.

The City's Public Safety Computer System was initially developed and installed in 1982. For well over twenty years, the system has been providing service to the Police and Fire departments in a seven days a week, twenty-four hours a day operational environment. The remaining elements of Phase One of the Public Safety System Replacement Project are in the final stages of completion. The implementation and completion of Phase Two of the system replacement project is necessary to provide Public Safety with the tools they need in the provision of services to the public.

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 the rate of 3.80% for a period of six 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%. Also, the term of six years is less than the useful life (for accounting purposes) of the equipment purchased.

Council approval of a financing resolution is needed at this time to complete the financing and fund the costs of the acquisition and implementation of Phase Two of the Public Safety System Replacement Project. Execution of the lease documents would be subject to the final approval of legal counsel as to the form and content of the 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 Motorola, Inc. in the amount of \$761,299 for the purchase of 80 Mobile Data Computers and the financing of Phase Two of the Public Safety System Replacement project as anticipated through the adoption of the 2005-2006 operating budget.

Issuance of debt at this interest rate level (3.80%) will allow the City to take full advantage of the legal arbitrage opportunity created by financing the purchase. This opportunity is created, in part, by the City's ability to issue debt on a tax-exempt basis and as a small issuer. 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 the debt 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 acquisition and implementation of Phase Two of the Public Safety System Replacement Project. The approval of the attached resolution would obligate the City to pay equal payments of \$281,939.48 semi-annually for six years at a rate of interest of 3.80%. 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 \$3,000,000.00 for the acquisition and implementation of elements of Phase Two of the Public Safety System Replacement Project and the total interest expense anticipated over the six-year period is expected to be \$383,273.76.

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 the financing of the acquisition of computer hardware and software for Phase Two of the Police Department System Replacement Project and authorizing and directing certain actions in connection therewith by the appropriate City Officials.

MARC R. PUCKETT
Director of Finance

Attachment:

(1) [Resolution number _____ authorizing the execution and delivery of a lease agreement for the financing of the acquisition of computer hardware and software for Phase Two of the Police Department System Replacement Project and authorizing and directing certain actions in connection therewith.](#)