



AGENDA MEMORANDUM

Future Item for the City Council Meeting of January 29, 2013
Action Item for the City Council Meeting of February 12, 2013

DATE: January 29, 2013

TO: Ronald L. Olson, City Manager

FROM: Michael Barrera, Assistant Director of Financial Services
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Municipal Lease Line of Credit

CAPTION:

Motion approving a Municipal Lease Line of Credit with Frost Bank in accordance with Request for Proposal No. BI-0040-13 based lowest responsible proposal for an estimated annual expenditure of \$326,909.92. The term of the contract is for one year with options to extend for up to four additional one-year periods, subject to the approval of the contractor and the City Manager, or designee.

PURPOSE:

The City uses municipal lease purchase financing to fund equipment and rolling stock replacement needs.

BACKGROUND AND FINDINGS:

As equipment is requisitioned to be purchased, the equipment is purchased under all applicable statutes and city procurement policies. The financing for the purchase is provided through this lease line of credit agreement. An estimated \$6.7 million worth of equipment is projected to be purchased over the initial twelve month period of this agreement.

ALTERNATIVES:

Not applicable.

OTHER CONSIDERATIONS:

The actual interest rate will fluctuate throughout the term of the contract based on the index rate at the time of the purchase. Based on the index rate at the time of the bid, on October 1, 2012, the interest rate charged to the City for a 60 month lease is 1.89%. The current year financial impact shown on the following table represents interest costs, at 1.89%, associated with financing 13 separate awards of equipment that has either been delivered or is on order and expected to be delivered throughout the remainder of this fiscal year.

CONFORMITY TO CITY POLICY:

This purchase conforms to the City’s purchasing policies and procedures and Texas State procurement laws.

EMERGENCY / NON-EMERGENCY:

Non-emergency.

DEPARTMENTAL CLEARANCES:

Finance Department

FINANCIAL IMPACT:

X Operating Revenue Capital Not applicable

Fiscal Year: 2012-2013	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget		4,840,698.61	291,008.47	5,131,707.08
Encumbered / Expended Amount		3,655,396.42		3,655,396.42
This item		35,901.45	291,008.47	326,909.92
BALANCE		1,149,400.74	0	1,149,400.74

Fund(s): General, Street, Wastewater

Comments:

The \$35,901.45 financial impact shown above represents estimated interest costs that will be encumbered through the end of this fiscal year. The remaining \$266,103.09 of the interest costs will be requested for future fiscal years during the normal budget process.

RECOMMENDATION:

Staff recommends approval of the motion as presented.

LIST OF SUPPORTING DOCUMENTS:

Price Sheet
Master Lease Purchase Agreement