



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: APRIL 10, 2018**

**FROM: GENERAL SERVICES DEPARTMENT      WARD: ALL**

**SUBJECT: PURCHASE OF AERIAL MAN-LIFT THROUGH THE NATIONAL JOINT POWERS ALLIANCE IN AN AMOUNT NOT TO EXCEED \$104,892 WITH EXISTING CAPITAL LEASE FINANCING**

## **ISSUE:**

Approve the purchase of an aerial man-lift vehicle in the amount of \$104,892 through the National Joint Powers Alliance utilizing an existing capital lease financing structure for this vehicle and related equipment.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve the purchase of one aerial man-lift from Altec Industries Inc. through the National Joint Powers Alliance in an amount not to exceed \$104,892 utilizing an existing capital lease financing structure; and
2. Authorize the City Manager, or his designee, to execute all documents necessary to complete the financing, including making minor and non-substantive changes.

## **BACKGROUND:**

Capital lease financing is a type of lease in which a finance company is typically the legal owner of an asset for the duration of the lease, while the lessee has operating control over the asset and has a substantial share of the economic risks and returns from the change in the valuation of the underlying asset. At the end of the lease term, the lessee will usually take over ownership of the asset.

In September 2013, the Finance Department issued a Request for Proposals (RFP) to solicit interest from capital lease vendors in financing various equipment acquisitions for the General Fund, including fixtures and equipment at the Convention Center, Fox Performing Arts Center, and Municipal Auditorium. Two vendors responded to the RFP and the City ultimately selected Banc of America Public Capital Corp. as their proposal resulted in the lowest cost to the City. The initial master lease of \$3.6 million was for a term of seven years at an interest rate of 1.75%.

In December 2016, the Finance Department issued another Request for Proposals (RFP) to solicit interest from capital lease vendors in financing vehicles and hardware, including public safety

radio equipment, a Police Department records management system, Community & Economic Development permitting system, and Riverside Public Utility water system heavy vehicles. Seven vendors responded to the RFP and the City selected Banc of America Public Capital Corp. as their proposal again resulted in the lowest cost to the City. This resulted in an amendment to the master lease for a revised amount of \$10.5 million with payment schedules over eight and ten years at a blended interest rate of 2.37%.

On September 26, 2017, City Council authorized a third amendment to the master lease with Banc of America Public Capital Corp. for a revised total of \$14.5 million to finance additional capital equipment for the City, including this aerial man-lift with the National Joint Powers Alliance.

### **DISCUSSION:**

The Public Works Department Traffic Division needs to replace vehicle number E308, a 2004 aerial man lift vehicle with 137,717 miles. Due to the vehicle's age and lack of available replacement parts to make it serviceable, the vehicle was unsafe to operate and has been sold at auction. This particular vehicle is not part of the Fleet Vehicle Replacement Program fund; therefore, the user department is responsible for funding and the City proposes to use existing capital lease financing. The purchase price is \$104,892 including sales tax and delivery, financed over a term of 84 months (7 years). At the end of the finance term, ownership of the vehicle will be transferred to the City.

Altec Industries, Inc. holds a Cooperative Agreement #031014-ALT with National Joint Powers Alliance (NJPA). The NJPA uses cooperative contract purchasing to leverage the national purchasing power of more than 50,000 member agencies while also streamlining the required purchasing process. As a municipal national contracting agency, NJPA establishes and provides nationally leveraged and competitively solicited purchasing contracts under the guidance of the Uniform Municipal Contracting Law. Joint Powers laws enable members to purchase through their awarded contracts. The City of Riverside is a member of NJPA.

Purchasing Resolution Section 602 (e) states that "Competitive Procurement through Informal Procurement and Formal Procurement process shall not be required in any of the following circumstances:...(e) When Cooperative Purchasing is available and undertaken or when Goods can be obtained through Federal, State and/or other public entity pricing contracts or price agreements..."

The Public Works Director and Purchasing Services Manager concur with the recommendations above.

### **FISCAL IMPACT:**

The proposed capital lease of \$104,892 requires total annual debt service payments of approximately \$18,000. Sufficient funds are available in the Public Works Motor Pool Equipment Rental Account Number 4110400-423400 for the annual lease payments. All future base rental payments (appropriations) will be included in each of its budgets

Prepared by:	Carl Carey, General Services Director
Certified as to	
availability of funds:	Adam Raymond, Chief Financial Officer/City Treasurer
Approved by:	Marianna Marysheva, Assistant City Manager

Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Altec Capital Services Quote AT237
2. Altec Specifications Quotation Number 347306-7