



THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: April 23, 2012 REPORT NO: 12-057  
ATTENTION: Council President and City Council  
SUBJECT: Master Lease Agreement to Fund Vehicles and Equipment  
REFERENCE: Annual Master Lease Agreement to Fund Vehicles and Equipment,  
Budget and Finance Committee (Report # 12-038)

REQUESTED ACTION(S):

Approve the Ordinance to authorize the form of and execution of the Master Lease Agreement with JPMorgan Chase Bank, N. A. (“Chase”) in an amount not to exceed \$25.3 million to fund the City’s Fiscal Year 2013 General Fund fleet replacement and equipment needs.

STAFF RECOMMENDATION:

Approve the requested action.

SUMMARY:

**I. Background**

As necessary, the City utilizes lease purchase short-term financing option to acquire essential equipment and fleet services. The funding is facilitated under a master lease agreement with a lender (the “Lessor”) by establishing an upfront tax-exempt line of credit over an agreed upon acquisition period. The security for this financing agreement is a pledge to annually appropriate funds to make lease payments on a semi-annual basis. At the end of the repayment term, City owns the equipment funded by the Lessor.

Using this lease-purchase funding mechanism, the City has previously financed its annual fleet replacement including vehicles for safety services such as fire engines, police vehicles, and motive equipment for service maintenance (non-safety). In addition to annual fleet replacement, other vehicles and projects funded with the lease-purchase mechanism include refuse containers, refuse packers for the implementation of the Automated Refuse Collection Program, helicopters for the Fire and Police Departments, public safety communications equipment, and the City Enterprise Resource Planning system. Under various Master Lease Agreements established

between 2003 and 2011, as of March 31, 2012, the City has approximately \$68.5 million in outstanding principal and interest.

In March 2011, the City Council authorized a Master Lease Agreement with JPMorgan Chase Bank, N. A. in an amount not to exceed \$22.2 million. This included an amount not to exceed \$20.9 million to finance the fleet replacement needs of Fiscal Years 2011 and 2012 and an amount not to exceed \$1.3 million to finance the acquisition of a Global Positioning System (GPS). As of March 31, 2012, replacement vehicles totaling approximately \$20.0 million have been ordered, of which, approximately \$6.5 million has been received and funded. The remainder is expected to be funded by June 30, 2012. It is currently anticipated that the GPS equipment will not be acquired prior to June 30, 2012, and as such the line of credit for this project will not be utilized by June 30, 2012. This Master Lease Agreement covering Fiscal Years 2011 and 2012 period expires on June 30, 2012.

## **II. Discussion**

### **A. Identification of Funding Needs**

Following are the lease-purchase needs identified by various City Departments:

#### **1. FY 2013 annual fleet replacement vehicles (\$16.9 million)**

Fleet Services has identified the General Fund fleet replacement needs for Fiscal Year 2013 totaling approximately \$16.9 million. The assessment for Fiscal Year 2013 identifies approximately 254 vehicles for replacement. All the replacement vehicles, totaling a not to exceed amount of \$16.9 million, are programmed to be lease purchased. The Fiscal Year 2013 General Fund vehicle replacement list includes the replacement of police fleet, fire engines, refuse packers, and other non-safety maintenance vehicles. The estimated useful life of the vehicles ranges 7-20 years. The repayment term for the lease purchase vehicles will be established at 7 years.

See Attachment 1 for a list of vehicles and equipment to be lease-purchased in Fiscal Year 2013 under the proposed Master Lease Agreement. Fleet Services works with the Purchasing and Contracting Department to issue request for proposals predicated on Fleet replacement needs. Vendors are identified and awarded contracts based on meeting product specifications and providing the best value to the City. A two percent (2%) preference is given for vendors registered with the City as Small Local Business Enterprises (SLBE) or Emerging Local Business Enterprises (ELBE) on contracts valued less than \$50,000.

#### **2. Global Positioning System Equipment (\$2.0 million)**

Currently, several City departments use different GPS equipment in City vehicles. The new system will establish a common GPS System for all vehicles as well as adds features that are not available on the current GPS being used. The new GPS will consist of software, modems, and the hardware and professional services infrastructure

advanced technology. The GPS acquisition has an anticipated cost of \$2 million with an expected useful life is 7 to 10 years. The repayment term for the purchase will be established at 5 years.

The Public Works Department has issued a request for proposals, and is in the process of evaluating the proposals. A memorandum to the City Council on the status of the GPS acquisition was issued on March 29, 2012 (see Attachment 2).

### **3. Advanced Metering Infrastructure (AMI) System (\$5.1 million)**

The Public Utilities Department has a business opportunity to enhance its water meter reading, customer service and billing functions and water conservation capabilities with the installation of an AMI system. AMI technology allows water meters to be read electronically rather than through direct visual inspection by field staff. The implementation will include approximately 10,000 of the total meter population of roughly 275,000. Estimated useful life of the AMI system is 15 years. The project is expected to be completed within 2 years. The total not to exceed amount financed is approximately \$5.1 million. The repayment term for the purchase will be established at 7 years.

### **4. Fire and Lifeguard Vessels (\$1.3 million)**

The Fire Department needs to replace three of the Lifeguard Vessels – one multi-purpose Rescue Vessel estimated at approximately \$1 million and two Surf Rescue Vessels estimated at approximately \$220,000. The multi-purpose Rescue Vessel, also known as the Fireboat, is approximately 33 feet long and capable of a wide variety of missions. It is equipped with radar, GPS system with mapping function, marine radio, fathometer, and other equipment. In addition to providing fire suppression, this boat is also used to pump out sinking vessels, mitigate hazards of fuel spills, serves as a rescue and medical aid platform, supports search and rescue operations, and law enforcement detail. The estimated useful life of the Fireboat is 25 years. The Lifeguard Surf Rescue Vessels are 22 foot hard hulled Boston Whaler Boats. These boats are powered with a single Yamaha 225 HP outboard motor and are equipped with lights and siren, GPS navigation system, VHF Marine Radio and 800 MHz Radio. Typical uses for these vessels include emergency ocean response for water rescues and other marine emergencies off shore. These boats are also used as Patrol Boats in Mission Bay for conducting boating law enforcement. The estimated useful life of the Lifeguard Surf Rescue Vessels is 9 years. The location for the Lifeguard Vessels will be the Boating Safety Unit (BSU) located on Mission Bay. The repayment term for the purchase will be established at 7 years.

## **B. Master Lease Agreement - Request for Proposals**

Based on the above list, total funding needs of approximately \$25.3 million were identified. Based on the assessment of funding needs, a Request for Proposals (“RFP”) was issued through the City’s Purchasing & Contracting Department on March 2, 2012, to solicit

proposals to fund lease-purchases of essential equipment. The RFP was sent to 42 financial firms, including advertisement on DEMANDSTAR for local firms and firms specializing in lease finance. The evaluation committee consisted of staff from Debt Management and Equal Opportunity Contracting (“EOC”), and the City’s financial advisor for the lease-purchase program. Five (5) proposals were received and upon review by the evaluation committee two (2) proposals were deemed non-responsive under EOC criteria. JPMorgan Chase Bank, N. A. (“Chase”) was identified as most suitable to provide lease purchase services. Chase offered the most competitive funding rate and accepted all the key lease purchase terms required by the City.

C. Master Lease Agreement

The term of the Master Lease Agreement (“Agreement”) between the City (Lessee) and Chase (Lessor) covers a of 24 months period, with **an amount not to exceed \$25.3 million** to meet Fiscal Year 2013 fleet replacement needs, and the funding of the GPS equipment, AMI System, and the Fire and Lifeguard Vessels. A funding term of 24 months allows the Public Works and Fire Department to fund their purchases which are expected to be received in FY 2013 and FY 2014. Terms under the lease purchase agreement include:

- Acquisition Amount & Period: Commencing on the date of execution of the Agreement and ending 24 months from date of execution or the date on which \$25.3 million of Equipment has been financed under the Agreement.
- Lease Term: Vehicles and equipment can be funded under a 5-year, 7-year, or 10-year lease term
- Interest Rate: Fixed rate basis. Established at the time the equipment is funded based on the lease term and locked for the term of the lease, provided no equipment will be funded if the interest rate exceeds 6% (Article 2.1 of the Master Lease Agreement).

5-Year Lease Term	Interest Rate as of April 12, 2012	7-Year Lease Term	Interest Rate as of April 12, 2012	10-Year Lease Term	Interest Rate as of April 12, 2012
(3-yr LIBOR Index*64.03%)+.8662%	1.3144%	(4-yr LIBOR Index*64.03%)+.9092%	1.4983%	(5-yr LIBOR Index*64.03%)+1.0016%	1.7508%

- The City is required to budget and make lease payments from legally available funds. The requirement to make lease payments is not one for which the City is obligated to levy or pledge any form of taxation.
- The City has the ability to pre-pay the lease at no penalty following the initial 24 months of the lease term.

FISCAL CONSIDERATIONS:

Subsequent to the authorization of the proposed Master Lease Agreement, orders will be placed for the equipment and vehicles. Once the equipment is received and funded, lease payment schedules are executed with the first payment commencing 6-months after the funding date.

Funds to replace motive equipment are generated by annual charges (assignment fees) made by the benefitting departments to the Fleet Services Division department for each item of motive equipment. The annual lease payments are made from funds generated from the aforementioned annual charges accrued in the Fleet Services Replacement Fund. Sales tax and outfitted costs are cash funded by Fleet Services Division and not included in the financed amount. The annual lease payments for the GPS equipment will be made from the Fleet Operating Fund generated from usage fees made by benefitting departments to Fleet Services Division. Lease payments for the AMI system and the Fire and Lifeguard Vessels will be budgeted annually in the operating budgets of the respective departments. All Lease payments will be included in the FY 2013 budget and subsequent budgets with the City Council approval to be obtained through the annual budget process.

Based on interest rates as of April 12, 2012, the effective interest rate would be 1.31% on a 5-year term and 1.49% on a 7-year term. Assuming a single draw the estimated lease payments are as follows:

1. Fiscal Year 2013 General Fund vehicle replacement needs (\$16.9 million): Semi-annual lease payment of \$1.3 million in FY 2013, annual lease payments of \$2.6 million FY 2013-2019, and a semi-annual payment of \$1.3 million in FY 2020. Total Principal and Interest for 7 year term \$18 million.
2. Global Positioning System (GPS) equipment (\$2.0 million): Semi-annual lease payment of \$210,000 in FY 2013, annual lease payments of \$420,000 FY 2014-2017, and a semi-annual lease payment of \$208,000 in FY 2018. Total Principal and Interest for 5 year term \$2.1 million.
3. Advanced Metering Infrastructure (AMI) System (\$5.1 million): Semi-annual lease payment of \$386,000 in FY 2013, annual lease payments of \$772,000 million FY 2014-2019, and a semi-annual payment of \$386,000 in FY 2019. Total Principal and Interest for 7 year term \$5.4 million.
4. Fire and Lifeguard Vessels (\$1.3 million): Semi-annual lease payment of \$98,000 in FY 2013, annual lease payments of \$196,000 FY 2014-2019, and a semi-annual lease payments of \$98,000 in FY 2020. Total Principal and Interest for a 7 year term \$1.4 million.

***The final fiscal impact will depend on the actual amounts drawn from the line of credit and the specific timing of the draws.*** The City is under no obligation to utilize the full amount established under the line of credit. There is no commitment fee for establishing and maintaining the funds amount through the term of the Agreement. If alternate sources of funding is identified, or cash purchases (“pay go”) is preferred, the City will have that flexibility.

**PREVIOUS COUNCIL MEETING and/or COMMITTEE ACTION:**

This item was presented to the Budget and Finance Committee (the “Committee”) on April 11, 2012. The Committee voted 4-0, with Councilmember Alvarez not present, to forward the item

for City Council consideration. Questions of the Committee are addressed in the staff report; responses were compiled with the assistance of departments lease-purchasing vehicles and equipment under the Agreement.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

A Request for Proposals (“RFP”) was issued to approximately 42 financial firms, including advertisement on DEMANDSTAR for several local firms, through the City’s Purchasing & Contracting Department on March 2, 2012 and was noticed on the City’s public website.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

JPMorgan Chase Bank, N. A. is the lease provider.



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Lakshmi Kommi  
Debt Management Director



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Jay M. Goldstone  
Chief Operating Officer

Attachments:

1. List of General Fund Replacement Vehicles to be Lease Purchased – Fiscal Years 2013
2. City Vehicle Global Positioning System Status Report, dated March 29, 2012

**List of General Fund Replacement Vehicles to be Lease Purchased  
Fiscal Years 2013  
(Estimates)**

Equipment Description	QTY	Estimated Unit Price
<b>FIRE</b>		
TYPE 1 FIRE ENGINE	6	\$ 3,647,502
	<b>SUBTOTAL</b>	<b>\$ 3,647,502</b>
<b>POLICE</b>		
1/2T SUV	3	\$ 90,900
3-WHEEL POLICE	5	172,500
CARGO CARRIER	1	7,000
CLUB WAGON SUPE	1	25,000
COMPACT-PICKUP	1	30,200
FORD EXPLORER (WILL REPLACE CROWN VICTORIA )	85	2,568,500
ENCLOSE TRAILER	1	7,000
MOTORCYCLE R 1150 RT	7	152,600
MOTORCYCLE R1200RTP	1	21,800
MOBILE PORTA POTTY	1	7,000
RANGER 4X2	4	100,000
SEDAN	15	317,200
TRUCK	3	75,000
UTILITY ENCLOSE	2	14,000
VAN	6	150,000
	<b>SUBTOTAL</b>	<b>\$ 3,738,700</b>
<b>NON SAFETY</b>		
CHIPPER-WOOD	1	\$ 38,251
FLATBED	12	624,173
PACKER-REFUSE-AUTOMATED	14	3,150,000
PICKUP TRUCK	28	719,850
ROLLER	2	103,440
SEDAN	2	46,473
SCOOTER-MT HOPE	1	23,059
SWEEPER-MECHANICAL	9	2,143,152
TRACTOR-AGRICULT	2	77,600
TRACTOR-BACKHOE-UTIL-MT HOPE	1	79,735
TRACTOR-LAWN MOWER	4	271,532
TRACTOR-SKID STEER-STREET	3	138,999
TRAILER-LIGHT	4	28,730
TRAILER-MED-25K GVW	4	83,130
TRAILER-SPECIAL	1	20,850
TRK-AERIAL LIFT	2	437,465
TRK-CHIPPER	1	99,130
TRK-DUMP-1.5CY	3	146,918
TRK-DUMP-5CY-D SL-STREET	3	280,581
TRK-MOWER-TOW	2	184,252
TRK-RAISED PAVEMENT APP MARKER	1	238,128
TRK-SVC	5	219,811
VAN-REDI	6	245,670
VAN-STEP SIDE	1	66,266
	<b>SUBTOTAL</b>	<b>\$ 9,467,195</b>
	<b>GRAND TOTAL</b>	<b>\$ 16,853,397</b>

Source: Fleet Services Public Works Department



THE CITY OF SAN DIEGO

MEMORANDUM

DATE: March 29, 2012

TO: Honorable Council President Tony Young and Members of the City Council

FROM: Tony Heinrichs, Director, Public Works Department

SUBJECT: City Vehicle Global Positioning System (GPS) Status Report

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This report provides a current status update on the potential acquisition of a Global Positioning System for City vehicles. The last status report on this project provided to the Council was in a staff memorandum dated November 10, 2011.

As stated in the November 10, 2011 report, staff was developing a Statement of Work (SOW) and Request For Proposal (RFP) for the purpose of acquiring a Global Positioning System (GPS) for a significant portion of the City's vehicle fleet. Since then the RFP was issued and proposals have been received. These proposals are currently being evaluated by City staff and a determination will be made on the viability of proceeding with the project. This determination will be made based on the outcome of a demonstration test with the recommended vendor and review of the project's costs and benefits by the City's Information Technology Business Leadership Group (ITBLG). This committee is charged with the responsibility to evaluate the merits of proposed Information Technology projects and to make recommendations on whether a particular project should proceed.

The current GPS project timeline is as follows:

- March–April 2012 – Evaluation of Proposals including product demonstrations, vendor interviews and finalizing terms and conditions
- May 18, 2012 – presentation to ITBLG for review and approval
- June, 2012 – Council Approval (if supported by ITBLG)
- July 1, 2012 – Contract Award
- August 2012 – Begin Contract Implementation



Honorable Council President and Members of the City Council  
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The funding allocation for the GPS project was reprogrammed from the original FY 2012 lease-purchase program for another higher priority requirement. The reason for this funding change was due to the need to use FY 2012 funds to purchase Parking Enforcement vehicles for the Police Department. Although originally scheduled for purchase using FY 2011 lease-purchase funding, the former manufacturer filed for bankruptcy causing a delay in the production of these needed vehicles. Due to established delivery schedules with Chase, it was necessary to change the funding for the parking enforcement vehicles to accommodate a later delivery date. Staff intends to include a revised funding allocation for the potential GPS project in the FY 2013 vehicle lease-purchase program that will be presented to the Council's Budget and Finance Committee on April 11, 2012.

If you have any questions or desire additional information, please contact John Clements, Deputy Director, Fleet Services, at 619-527-6020.



Tony Heinrichs  
Director  
Public Works Department

cc: Jay M. Goldstone, Chief Operating Officer  
Amy Benjamin, Director, Council Affairs  
Lakshmi Kommi, Director, Debt Management  
John Clements, Deputy Director, Public Works-Fleet Services