

REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO				CERTIFICATE NUMBER (FOR COMPTROLLER'S USE ONLY) N/A	
TO: CITY COUNCIL		FROM (ORIGINATING DEPARTMENT): Debt Management		DATE: 10/24/2016	
SUBJECT: Master Lease Agreement to Finance Vehicles and Equipment					
PRIMARY CONTACT (NAME, PHONE): Jyothi Pantulu, 619-236-6917; MS 7B			SECONDARY CONTACT (NAME, PHONE): Marcos Briseno, 619-236-6946; MS 7B		
COMPLETE FOR ACCOUNTING PURPOSES					
FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00
FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00
COST SUMMARY (IF APPLICABLE): There will be no fiscal impact of this action on FY 2017. Total repayment on the not-to-exceed \$30 million is estimated at \$31.4 million over FYs 2018-2025. Future lease payments will be included in future budgets and City Council approval will be obtained through the annual budget process.					
ROUTING AND APPROVALS					
CONTRIBUTORS/REVIEWERS:		APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	
Financial Management		ORIG DEPT.	Kommi, Lakshmi	10/25/2016	
Comptroller		CFO			
Liaison Office		DEPUTY CHIEF	Lewis, Mary	11/04/2016	
Environmental Analysis		COO			
Equal Opportunity Contracting		CITY ATTORNEY			
		COUNCIL PRESIDENTS OFFICE			
PREPARATION OF:	<input checked="" type="checkbox"/> RESOLUTIONS	<input checked="" type="checkbox"/> ORDINANCE(S)	<input checked="" type="checkbox"/> AGREEMENT(S)	<input type="checkbox"/> DEED(S)	
1.) Approve the form of and execution of the Master Lease Agreement, in an amount not to exceed \$30 million, with Banc of America Public Capital Corp to finance various essential vehicles and equipment needs.					
2.) Declare the City's intent to use funds made available from the lease-purchase agreement with BAPCC to					

reimburse itself for eligible project and equipment expenditures advanced by the City.	
STAFF RECOMMENDATIONS: Approve the requested actions.	
SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)	
COUNCIL DISTRICT(S):	All Districts
COMMUNITY AREA(S):	City-Wide
ENVIRONMENTAL IMPACT:	This activity is not a “project” as defined in CEQA Guidelines Section 15378(b) (5). Based on 15378(b) (5) the activity does not meet the definition of a project and would therefore not be subjected to CEQA pursuant to Section 15060(c) (3) of the State CEQA Guidelines.
CITY CLERK INSTRUCTIONS:	This item is subject to Charter Section 99 (10 day published notice, approval by Ordinance and 6 votes required)

**COUNCIL ACTION
EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO**

DATE: 10/24/2016

ORIGINATING DEPARTMENT: Debt Management

SUBJECT: Master Lease Agreement to Finance Vehicles and Equipment

COUNCIL DISTRICT(S): All Districts

CONTACT/PHONE NUMBER: Jyothi Pantulu/619-236-6917; MS 7B

DESCRIPTIVE SUMMARY OF ITEM:

This item is to approve the form of and execution of the Master Lease Agreement in an amount not to exceed \$30 million, with Banc of America Public Capital Corp ("BAPCC") to finance various essential vehicles and equipment.

STAFF RECOMMENDATION:

Approve the requested actions.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

Staff is seeking authorization to finance essential General Fund vehicles and equipment needs for FY 2018 in an amount not to exceed \$30 million. Currently, financing needs identified for FY 2018 include Fleet Replacement needs estimated at \$20.7 million and Self-Contained Breathing Apparatus (SCBA) units estimated at \$8 million.

On October 4, 2016, a Request for Lease Purchase Financing Services was provided to all three (3) Lessors within the current EVFP pool. Responses were received from two (2) firms, BAPCC and JPMorgan Chase Bank, N.A. ("JPMorgan"), and staff is recommending the award of the contract to BAPCC based on the most competitive financing rates and agreement to all key terms and conditions within the form of the MLA.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):

Goal #1: Provide high quality public service.

Objective #1: Promote a customer-focused culture that prizes accessibility, consistent, and predictable delivery of services.

FISCAL CONSIDERATIONS:

Based on the current list of vehicles and equipment that are expected to be funded, approximately \$23 million will be funded on a 5-year term and the remaining \$7 million will be funded on a 7-year term. Based on interest rates as of November 3, 2016, the effective interest rates are estimated to be 1.37% and 1.48%, respectively. For vehicles and equipment financed using the five (5) year term, the principal and interest payments will total approximately \$23.9 million over FYs 2018-2023. For vehicles and equipment financed using the seven (7) year term, the principal and interest payments will total approximately \$7.5 million over FYs 2018-2025.

Semi-annual lease payments will be made from the respective department's operating budgets. Future lease payments will be included in future budgets and City Council approval will be obtained through the annual budget process. The actual fiscal impact will depend on the actual amounts and timing of draws, the fixed interest rate based on the index level at the time of funding of vendor payment, and the final repayment schedules.

The City would be under no obligation to draw down the full amount established under the line of credit. There is no commitment fee for establishing and maintaining the funding amount through the term of the Agreement. If alternative sources of funding are identified, or cash purchases ("pay go") are an option, the City will still have that flexibility.

Reimbursement Resolution:

Payments to vendors for equipment or vehicles are expected to occur at the time of delivery prior to drawing down the Master Lease Agreement. The City then expects to reimburse itself periodically. In order to do that, the City must adopt a reimbursement resolution in accordance with section 1.150-2 of Treasury Regulations ("Regulations"). By adopting a reimbursement resolution the City will satisfy the Official Intent Requirement under the Regulations and be able to reimburse vehicle and equipment costs using funds available from the lease-purchase agreement with BAPCC. Adoption of the reimbursement resolution will not obligate the City to expend any funds; it merely enables the City to reimburse itself for all qualified vehicle and equipment payments the City fronts while acquiring the assets described herein.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE):

This agreement is subject to the City's Equal Employment Opportunity Outreach Program (San Diego Ordinance No. 18173, Section 22.2701 through 22.2708) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

PREVIOUS COUNCIL and/or COMMITTEE ACTION (describe any changes made to the item from what was presented at committee):

Budget and Government Efficiency Committee authorization to occur prior to City Council.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

In September 2014, a Request for Statement of Qualifications (RFSQ) was issued to over one-hundred and fifty (150) firms, including advertisement on Planet Bids. The City also advertised the RFSQ in local minority publications including the Asian Journal, La Presna, and the San Diego Voice and Viewpoint. Three (3) firms were accepted into the Pool of Qualified Lessors and on October 4, 2016, a Request for Lease Purchasing Financing Services (RLPFS) was issued to firms within the Pool.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Banc of America Public Capital Corp ("BAPCC")

Kommi, Lakshmi

Originating Department

Lewis, Mary

Deputy Chief/Chief Operating Officer



THE CITY OF SAN DIEGO

Report to the City Council

DATE ISSUED: November 16, 2016

REPORT NO: 16-096

ATTENTION: Council President and City Council

SUBJECT: Master Lease Agreement to Finance Vehicles and Equipment

REQUESTED ACTIONS:

1. Approve the form of and execution of the Master Lease Agreement, in an amount not to exceed \$30 million, with Banc of America Public Capital Corp ("BAPCC") to finance various essential vehicle and equipment needs.
2. Declare the City's intent to use funds made available from the lease-purchase agreement with BAPCC to reimburse itself for eligible vehicles and equipment expenditures advanced by the City.

STAFF RECOMMENDATION:

Approve the requested actions.

ITEM BACKGROUND:

The City utilizes the Equipment and Vehicle Financing Program (EVFP) as a lease purchase short-term financing option to fund as needed eligible essential equipment and fleet needs. Currently, staff is seeking authorization to finance Fiscal Year 2018 General Fund vehicle and equipment needs using this program.

DISCUSSION:

A. Funding needs in an amount not-to-exceed \$30 million

Working with Financial Management and operating departments, the items that have been identified for EVFP financing include certain General Fund replacement vehicles for the Fleet Operations Department and Self Contained Breathing Apparatus (SCBA) units for the Fire-Rescue Department.

1. FY 2018 Fleet Replacement– Fleet Operations Department

The Fleet Operations Department has identified the citywide General Fund fleet replacement needs that qualify for financing for FY 2018 totaling an estimated \$20.7 million. The replacement list includes Refuse Packers, Street Sweepers, Dump Trucks, Construction Equipment, Crew/Service Vehicles, and Specialty Vehicles. Estimated useful life of the vehicles and equipment range from six to eight (6-8) years. For its FY 2018 Fleet Replacement needs, the City will lease purchase using

either the five (5) or seven (7) year terms depending on the vehicle or equipment's useful life.

2. Self-Contained Breathing Apparatus (SCBA) Units and Other Related Equipment–Fire-Rescue Department

The Fire-Rescue Department has identified the current Fire-Rescue replacement needs estimated at \$8 million. This includes approximately six-hundred (600) SCBA units, eight (8) air filling stations throughout the City, and one (1) light and air apparatus. Based on useful life, the City is planning to lease purchase the equipment on a five (5) year lease term.

While the total cost to finance these vehicles and equipment is currently estimated to be \$28.7 million, actual funding amounts may differ at the time of delivery. The City would be able to utilize any additional capacity to finance other essential vehicles and equipment with the total financed amount capped at \$30 million.

B. Master Lease Agreement with BAPCC (the "Agreement")

The proposed Master Lease Agreement with BAPCC, in an amount not-to-exceed \$30 million, will allow the City to lease purchase the needs described above.

Key terms include:

- Acquisition Amount: Not-to-Exceed \$30 million
- Acquisition Period: Up to twenty-four (24) months from Agreement execution – the period during which the City funds vehicles and equipment and seeks reimbursement from the Lessor for up to \$30 million.
- Lease/Repayment Term: The City has the ability to finance the vehicles and equipment using either a five (5) or seven (7) year repayment term.
- Interest Rate: Fixed rate basis. Established at the time the reimbursement is funded, based on the lease term, and locked for the term of the lease. Ordinance authorization is up to 6%.
 - o Based on interest rates of November 3, 2016, the lease rates are expected to be approximately 1.48% for a seven (7) year term. The lease rates are expected to be approximately 1.37% for a five (5) year term.
- Security Interest: The Lessor will hold security interest in the financed vehicles and equipment during the lease term. No other collateral pledge is provided.
- The City is required to budget and appropriate lease payments from legally available funds. The City is not obligated to levy or pledge taxes.
- The City has the ability to pre-pay on new leases at no penalty following the initial twelve (12) months of the lease term.

The Agreement requires City Council approval via ordinance. The ordinance authorizes the Chief Operating Officer or the Chief Financial Officer to enter into the Agreement with such

additions and changes therein, in consultation with the City Attorney, shall approve as being in the best interest of the City. See Attachment – Form of the Master Lease Agreement. Upon execution of the Agreement, the City will be able to draw down funds from the funding Agreement.

C. Selection of Lender

On October 4, 2016, a Request for Lease Purchase Financing Services was provided to all three (3) Lessors within the current EVFP Pool of Qualified Lessors. Responses were received from two (2) firms, Banc of America Public Capital Corp (“BAPCC”) and JPMorgan Chase Bank, N.A., (“JPMorgan”), and staff is recommending the award of the contract to BAPCC based on the most competitive financing rates and lease terms.

D. Reimbursement Resolution

Payments to vendors for equipment or vehicles are expected to occur at the time of delivery prior to drawing down the Master Lease Agreement. The City then expects to reimburse itself periodically. In order to do that, the City must adopt a reimbursement resolution in accordance with section 1.150-2 of Treasury Regulations (“Regulations”). By adopting a reimbursement resolution the City will satisfy the Official Intent Requirement under the Regulations and be able to reimburse vehicle and equipment costs using funds available from the lease-purchase agreement with BAPCC. Adoption of the reimbursement resolution will not obligate the City to expend any funds; it merely enables the City to reimburse itself for all qualified vehicle and equipment payments the City fronts while acquiring the assets described herein.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):

Goal #1: Provide high quality public service.

Objective #1: Promote a customer-focused culture that prizes accessible, consistent, and predictable delivery of services.

FISCAL CONSIDERATIONS:

Based on the current list of equipment and vehicles that are expected to be funded, approximately \$23 million will be funded on a 5-year term and the remaining \$7 million will be funded on a 7-year term. Based on interest rates as of November 3, 2016, the effective interest rates are estimated to be 1.37% and 1.48% on a five (5) year term, and seven (7) year term, respectively, resulting in the following estimated lease payments:

\$23 million – (5-year term)

Fiscal Year	2018	2019-2022	2023	Total
Estimated Lease Payments ⁽¹⁾	\$1,529,000	\$4,776,000	\$3,247,000	\$23,880,000

(1) Assumes three (3) funding installments in FY 2018. The repayment terms for the first and second funding installments are FY's 2018 – 2023 (each with one semi-annual payment in FY's 18 and 23). The repayment term for the third installment is FY's 2019-2023.

\$7 million – (7-year term)

Fiscal Year	2018	2019-2024	2025	Total
Estimated Lease Payments ⁽¹⁾	\$249,000	\$1,062,000	\$814,000	\$7,435,000

(1) Assumes two (2) funding installments in FY 2018. Repayment terms for the two funding installments are FYs 2018- 2025 (with one semi-annual payment in FY 18 and FY 25), and FY 2019-2025.

The semi-annual lease payments will be made from the respective department's operating budgets. No fiscal impact is anticipated in Fiscal Year 2017. Future lease payments will be included in future budgets and City Council approval will be obtained through the annual budget process. *The actual fiscal impact will depend on the actual amounts and timing of the project milestone payments to vendors, General Fund share of the expenditures, Lessor funding installment dates, and the interest rates.*

The City would be under no obligation to draw down the full amount established under the line of credit. There is no commitment fee for establishing and maintaining the funding amount through the term of the Agreement. If alternate sources of funding are identified, or cash purchases ("pay go") are an option, the City will still have that flexibility.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (if applicable):

Contract or agreements associated with this action are subject to the City's Equal Employment Outreach Program (San Diego Ordinance No. 18173, Section 22.2701 through 22.2708) and the City's Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:

Budget and Government Efficiency Committee authorization to occur prior to City Council approval.

COMMUNITY PARTICIPATION AND OUTREACH EFFORTS:

In September 2014, a Request Statement of Qualifications (RFSQ) was issued to over 150 firms, including advertisement on Planet Bids. The City also advertised the RFSQ in local minority publications including the Asian Journal, La Presna, and the San Diego Voice and Viewpoint. Three (3) firms were accepted into the Pool of qualified Lessors and in October 2016, a Request for Lease Purchasing Financing Services (RLPFS) was issued to firms within the Pool.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Banc of America Public Capital Corp (BAPCC)



Lakshmi Kommi
Debt Management Director



Mary Lewis
Chief Financial Officer

Attachment: Form of the Master Lease Agreement

[FORM OF] MASTER LEASE AGREEMENT

CITY OF SAN DIEGO

(AS LESSEE)

AND

Banc of America Public Capital Corp

(AS LESSOR)

DATED AS OF [February xx, 2017]

MASTER LEASE AGREEMENT

This MASTER LEASE AGREEMENT (this "Agreement" or this "Lease") dated as of _____ is between BANC OF AMERICA PUBLIC CAPITAL CORP, (the "Lessor"), and the City of San Diego (the "City" or the "Lessee"), a political subdivision of the State of California (the "State").

RECITALS

The City desires to enter into arrangements for the lease purchase of certain Equipment, hereinafter defined.

The Lessor desires to provide for the financing of all such Equipment under the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1: DEFINITIONS

For purposes of this Agreement, the following terms have the meanings given below unless the context clearly requires otherwise:

- 1.1 Acceptance Certificate: means the certificate substantially in the form of Schedule 1 of the Appendix.
- 1.2 Acceptance Date: means the date on which the City notifies the Lessor to establish and agree on a Vendor Payment Date. The Acceptance Date shall be no later than seven (7) business days in advance of the Vendor Payment Date.
- 1.3 Acquisition Period: means the period commencing on the execution of this Agreement and ending on the earlier of twenty-four (24) months, or the date on which \$[30,000,000] of new Equipment has been financed as New Lease(s) under the Agreement. The City reserves the right to (i) request to increase the limits upon exhausting the initial limits for and of the terms upon mutual agreement and pre-approval by Lessor, and (ii) request to extend the Acquisition Period for a period upon terms acceptable to Lessor.
- 1.4 Additional Lease Payment(s): means the amounts specified as such in Section 4.5(b).
- 1.5 Agreement: means this Master Lease Agreement as the same may be amended and supplemented from time to time in accordance with its terms.
- 1.6 Appendix: means Attachment A of this Agreement, substantially in the form annexed hereto, which includes the Acceptance Certificate, the Disbursement Authorization Certificate, the City Representation Certificate, the Payment Schedule Certificate, and all exhibits, attachments and schedules thereto.

- 1.7 Business Day: means any day other than a City holiday, a Saturday, Sunday or day upon which banks in the state or in the state in which the principal office of the Lessor is located are authorized or required to be closed.
- 1.8 Certificate of Counsel: means the certificate substantially in the form of Attachment B of this Agreement.
- 1.9 City Representative: means the Purchasing Agent, Chief Operating Officer, Chief Financial Officer, Director of Debt Management, or such other person at the time designated to act on behalf of the Lessee for the purpose of performing any act under this Agreement by a written certificate furnished to the Lessor.
- 1.10 City Representation Certificate: means the certificate substantially in the form of Schedule 3 of the Appendix.
- 1.11 Contract Administrator: the Director of Debt Management or Designee shall be the Contract Administrator.
- 1.12 Agreement Term: means the period commencing upon execution of this Agreement and ending on the date the final payment is made under all Appendices entered into during the Acquisition Period.
- 1.13 Agreement Year: means individually each year of the Agreement Term. The initial Agreement Year shall begin on [February xx, 2017], and end on [June 30, 2017], and thereafter each Agreement Year shall begin July 1 and end on the following June 30.
- 1.14 Disbursement Authorization Certificate: means the certificate substantially in the form of Schedule 2 of the Appendix.
- 1.15 Equipment: means the items of personal property and services leased to Lessee for a term not exceeding the useful life of the item pursuant to this Agreement and listed on each Appendix.
- 1.16 Equipment Lease Rate: means for each lease term, applying the applicable Percentage of Index Rate to the applicable Index Rate plus any applicable Spread. The tables below details the Percentage of Index Rate, and Spreads for each lease term based on the Vendor Payment Date:

Lease Category	Lease Term	Percentage of Index	Spread
New Leases	5 years	65.00%	0.6410%
	7 years	65.00%	0.6920%

- 1.17 Equipment Purchase Amount: means the amount defined as such on Schedule 2 to the Attachment 'A' Disbursement Authorization Certificate.
- 1.18 Equipment Vendor: means the manufacturer or the distributor, including consultants and City staff, who deliver the items of Equipment to Lessee.

- 1.19 Event of Default: has the meaning set forth in Section 4.10 herein.
- 1.20 Fiscal Year: means the City's Fiscal Year which begins on July 1 of a calendar year and ends on June 30 of the following calendar year.
- 1.21 Index: means the applicable LIBOR Swap Index as further described below.
- 1.22 Index Rate: means the Interest Rate Swap Index rate for each lease term as published by Intercontinental Exchange public website as follows:
<http://www.theice.com/marketdata/reports/180> as defined in the following table:

Lease Category	Lease Term	Index Term
New Leases	5 years	3-Year
	7 years	4-Year

- 1.23 Lease Payment(s): means the amount(s) specified in Section 4.5 hereof, as adjusted from time to time in accordance with the terms hereof, but does not include Additional Lease Payments.
- 1.24 Lease Payment Date: means the date on which the Lessee is required to make a Lease Payment, as specified in an Appendix.
- 1.25 Lessee: means the City of San Diego.
- 1.26 Lessor: means BANC OF AMERICA PUBLIC CAPITAL CORP, acting as Lessor under this Agreement, and any successor thereto or any assignee thereof.
- 1.27 Lessor Representative: means the President or any Vice President of the Lessor, or any person or persons at the time designated to act on behalf of the Lessor for purposes of performing any act or obligation on behalf of the Lessor under this Agreement by a written certificate furnished to the Lessee.
- 1.28 LIBOR: means the London Interbank Offered Rate.
- 1.29 Payment Schedule Certificate: means the certificate substantially in the form of Schedule 4 of the Appendix annexed hereto.
- 1.30 Percentage of the Index Rate: means the percentage proposed by the Lessor for the lease term(s) awarded to the Lessor which is to be multiplied by the Index Rate in the calculation of the Equipment Lease Rate in an Appendix, for all Equipment purchased during the term of this Agreement.
- 1.31 Pre-approval Request: means the form attached hereto, fully executed by the Lessor in conformance with the procedure contained therein.
- 1.32 Pre-payment Date: has the meaning contained in Section 7.2(a) herein.

- 1.33 Request for Statement of Qualifications or RSFQ: means City of San Diego Request for Statement of Qualifications No.: 10053250-15A.
- 1.34 Transaction Documents: means the Agreement, the Appendices, and all attachments, exhibits and schedules thereto.
- 1.35 Vendor Payment Date: means the date on which the Equipment Vendor or Lessee (in the case of reimbursement) receives funds from the Lessor, as specified in an Appendix.
- 1.36 This section intentionally omitted.
- 1.37 New Lease(s): includes financing of new Equipment, as defined in 1.15.

ARTICLE 2: PURPOSE

- 2.1 The Lessor agrees to lease Equipment to Lessee subject to the terms hereof, upon the provision by Lessee of an Appendix, and the Lessee agrees to lease Equipment from the Lessor for the consideration indicated in an Appendix at the Equipment Lease Rate, provided, however, that the Lessee is not permitted, and the Lessor is not required, to lease any Equipment where the Equipment Lease Rate exceeds 6.0%.
- 2.2 No payments will be due under this Agreement by the Lessor until the Lessor has determined that no material adverse change in the Lessee's financial condition has occurred prior to the Lessor's execution of a Pre-approval Request, that insurance required under the Agreement will be in place as of the Vendor Payment Date, and the Lessor has been provided an Appendix and all attachments, exhibits and schedules thereto (in form and substance, acceptable to Lessor) signed by authorized City Representative(s). No payments will be due from the City to the Lessor until the Lessor has made payment to the Equipment Vendor or to the City as provided in Section 4.3.

ARTICLE 3: TERM

- 3.1 The term of this Agreement during which Equipment can be ordered, upon receiving pre-approval from the Lessor, and funded shall be the Acquisition Period. The Acquisition Period of this Agreement may be extended by mutual consent of both the Lessee and the Lessor.
- 3.2 The payment term of each Appendix entered into pursuant to this Agreement shall be for a period of five (5) or seven (7) years for New Lease(s) subject to a Pre-approval Request by the Lessor at the time the equipment is ordered by the City, and further subject to earlier termination as provided herein.
- 3.3 The Agreement Term of this Agreement shall be from the execution of this Agreement until all obligations under this Agreement are extinguished pursuant to this Agreement.

ARTICLE 4: PAYMENT

- 4.1 Amount and Times of Payment to the Lessor: The total purchase price plus accrued interest indicated in each Appendix shall be paid by the City in equal semi-annual

installment payments as indicated in an Appendix. The initial Lease Payment by the City, unless otherwise specified in an Appendix, shall be due on the first day of the month after six (6) full months have elapsed from the Vendor Payment Date as shown on an Appendix. The initial Lease Payment shall include accrued interest from the Vendor Payment Date to the first Lease Payment date. Each successive Lease Payment during the term of the Appendix will continue semi-annually on the first day of the calendar month. Payments for partial months and accrued interest shall be calculated on a 30/360 basis. Lessee shall receive invoices from Lessor to Lessee no less than 30 days prior to each Lease Payment date.

- 4.1.1 The Equipment Lease Rate will be established on the Acceptance Date through execution of an Appendix by multiplying the Percentage of the Index Rate by the Index Rate as defined in Section 1.21 herein, published as of the Acceptance Date for the lease term.
- 4.2 For federal income tax purposes only, a portion of each Lease Payment is paid as, and represents payment of, interest, as set forth in each Payment Schedule Certificate.
 - 4.2.1 The Lease Payments shall be paid by check in lawful monies of the United States and mailed to the Lessor at its principal corporate office or such other place as may be designated by the Lessor in writing; or, at the Lessee's preference, sent via Automatic Clearing House ("ACH") payment or wire payment to the Lessor in accordance with ACH and wire payment instructions provided in writing on the Lessor's letterhead.
- 4.3 Amount and Times of Payment by Lessor: Subject to a Pre-approval Request by the Lessor in accordance with Sections 1.31 and 3.2 of the Agreement, payment by the Lessor must be made to Lessee's Equipment Vendor, on or before the Vendor Payment Date given in an Appendix. The amount of payment will be stated in an Appendix.
 - 4.3.1 Should the Lessor fail to pay the entire principal payment to the Vendor by the Vendor Payment Date specified in any Appendix after receiving all documents identified in Section 5.5 in a timely manner, and such late payment is attributable solely to the failure of Lessor to fund in a timely manner (and not due to any deficiency in the documentation provided pursuant to Section 5.5 or any failure of Lessee to provide all necessary information for Lessor to process such payment), within three (3) business days after the Lessor's receipt of all documentation, or failure of the Lessor to perform any of the obligations, covenants, terms and provisions contained or referred to in this Agreement, which nonpayment or failure to perform is not cured within fifteen (15) calendar days of the receipt of written notice (certified mail, return receipt requested) thereof from the Lessee to the Lessor, shall be subject to the Remedies of the Lessor set forth in Section 4.12 herein; provided, however, such Vendor Payment Date shall not be more than three (3) Business Days after receipt of Schedules 1 through 4, IRS Form 8038-G/GC (Information Return for Tax-Exempt Governmental Obligations), UCC financing statements and any other items deemed necessary by the Lessor as established prior to the Vendor Payment Date, pursuant to Section 5.5b.

4.3.2 As evidence of payment by Lessor to Lessee's Equipment Vendor, Lessor shall return to Lessee a signed copy of the Disbursement Authorization Certificate and a signed copy of the Payment Schedule Certificate, initially executed by Lessee.

4.4 Maximum Payment: Except in the event of Pre-payment by the Lessee as hereinafter provided, and except for Additional Lease Payments and other amounts due hereunder, the total charges paid by the Lessee shall not exceed the amount calculated on the Payment Schedule Certificates.

4.5 Lease Payments: Subject to the terms hereof, the Lessee hereby agrees to pay to the Lessor the Lease Payments and to the appropriate parties the Additional Lease Payments in the amounts, at the times and in the manner hereinafter set forth, such amounts constituting in the aggregate the rent payable under this Lease.

a. The Lease Payments payable by the Lessee shall be due on each Lease Payment Date during the term of this Lease. The Lease Payment payable on a particular Lease Payment Date shall be for the period from the immediately preceding Lease Payment Date to such particular Lease Payment Date.

b. In addition to the Lease Payments set forth herein, the Lessee agrees to pay as Additional Lease Payment(s) all of the following:

1. All taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes including sales taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Equipment, or upon any interest of the Lessor; and
2. Any late Lease Payment penalty shall be determined in accordance with this subparagraph, for the late payment of scheduled Lease Payments. A scheduled Lease Payment not made by the sixth calendar day succeeding the scheduled Lease Payment Date shall, upon written notice from the Lessor, begin accruing a late Lease Payment penalty, calculated at the applicable lease interest rate, on a pro-rata basis, against the scheduled Lease Payment due. In no event shall the late Lease Payment penalty begin accruing before the sixth day succeeding the scheduled Lease Payment Date or before the date written the Lessee receives notice from the Lessor, and in no event shall any late Lease Payment penalty continue to accrue past the twentieth day succeeding the scheduled Lease Payment Date, except as provided in Section 4.11 (b)
3. Upon mutual agreement of the Lessor and Lessee, any fees for the retention of, and services provided by, a special counsel for an opinion of the tax-exempt status of an Appendix, or for the perfection of a lien, registration, or documentation of a vessel, aircraft or other specialized Equipment.

4.5.1 Amounts constituting Additional Lease Payments hereunder shall be paid by the Lessee directly to the person(s) to whom such amounts shall be payable. The Lessee shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within thirty (30) calendar days

after notice in writing from the Lessor to the City stating the amount of Additional Lease Payments then due and payable and the purpose thereof.

- 4.5.2 The obligation of the Lessee to make Lease Payments, Additional Lease Payments, or any other payments required hereunder, shall be absolute and unconditional) except as otherwise specifically provided in this Agreement. This is a net lease. All costs, expenses and other liabilities associated with the Equipment shall be borne solely by the Lessee. Except as expressly provided herein, the Lessee's obligation to pay rent and all other obligations under this Agreement are absolute and unconditional and not subject to any deferment, reduction, setoff, defense, counterclaim or recoupment for any reason whatsoever.
- 4.6 Consideration: For each Fiscal Year or portion thereof during the term of this Agreement, Lease Payments and Additional Lease Payments shall constitute the total Lease Payments for such Fiscal Year or portion thereof and shall be paid by the Lessee for and in consideration of the right of use and possession, and the continued quiet use and enjoyment, of the Equipment by the Lessee for and during such Fiscal Year or portion thereof. The parties hereto have agreed and determined that such Lease Payments are not in excess of the total fair rental value of the Equipment. In making such determination, consideration has been given to the costs of acquiring and financing the Equipment, the uses and purposes served by the Equipment, and the benefits there from that will accrue to the parties by reason of this Agreement and to the general public by reason of the Lessee's use of the Equipment.
- 4.7 Budget: The Lessee hereby covenants to take such action as may be necessary to include all Lease Payments and Additional Lease Payments due hereunder in its annual budget and to make the necessary annual appropriations for all such Lease Payments and Additional Lease Payments, subject to Section 4.8 hereof. The covenants on the part of the Lessee herein contained shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the ministerial duty of each and every public official of the Lessee to take such action and do such things as are required by law in the performance of such official duty of such officials to enable the Lessee to carry out and perform the covenants and agreements on the part of the Lessee contained in this Agreement. The obligation of the Lessee to make Lease Payments or Additional Lease Payments does not constitute an obligation of the Lessee for which the Lessee is obligated to levy or pledge any form of taxation or for which the Lessee has levied or pledged any form of taxation. The obligation of the Lessee to make Lease Payments or Additional Lease Payments does not constitute an indebtedness of the Lessee, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction
- 4.8 Abatement: The Lessee's obligations to make payments under this Agreement shall be subject to abatement in accordance with this Section 4.8 during any period in which, by reason of material damage, destruction, or condemnation, there is substantial interference with the use and right of possession by the Lessee of such item of Equipment. The amount of Lease Payment abatement shall be such that the resulting Lease Payments in any Fiscal Year during which such interference continues do not exceed the fair rental value of the portions of the Equipment as to which such damage, destruction, or condemnation does not substantially interfere with the use and right of possession of the

Lessee, as evidenced by a certificate of a City Representative. Such abatement shall continue for the period commencing with the date of such damage, destruction, or condemnation and ending with the restoration of such item of Equipment to useable condition. In the event of such damage, destruction, or condemnation, this Agreement shall continue in full force and effect.

4.9 Intentionally Omitted

4.10 Events of Default by Lessee: Any of the following events which shall occur shall constitute an Event of Default by the Lessee under this Agreement:

- a. Subject to the provisions of Section 4.8 hereof, the nonpayment by the Lessee of any payment required hereunder, or failure of the Lessee to perform any of the obligations, covenants, terms and provisions contained or referred to in this Agreement, which nonpayment or failure to perform is not cured within fifteen (15) calendar days of the receipt of written notice (certified mail, return receipt requested) thereof from the Lessor to the Lessee; provided, however, that the termination as described in Article 7 shall not constitute an Event of Default hereunder and shall not give rise to any of the remedies hereinafter authorized.
- b. Any warranty, representation, or statement of the Lessee contained in this Agreement which proves to have been false in any material respect when made or furnished.
- c. Dissolution, termination of existence, discontinuance of its business, insolvency, business failure, or appointment of a receiver of any part of the property of or assignment for the benefit of creditors by Lessee or the commencement of any proceedings under any bankruptcy whether voluntary or involuntary, reorganization or arrangement laws by or against Lessee.
- d. Failure by Lessee to maintain insurance as required by Section 5.6.
- e. Lessor may require Lessee to pay (and Lessee agrees that it shall pay) all out-of-pocket costs and expenses incurred by Lessor as a result (directly or indirectly) of the Event of Default and/or of Lessor's actions under this section, including, without limitation, any attorney fees, and expenses and any costs related to the repossession, safekeeping, storage, repair, reconditioning or disposition of any Equipment.
- f. Failure by Lessee to comply with Section 5.9 of this Agreement.

4.11 Remedies of the Lessor: Upon the occurrence of an Event of Default by the Lessee, the Lessor may, at its option, take any one or more of the following actions:

- a. Collect each installment of Lease Payments and Additional Lease Payments as it becomes due and payable hereunder.

- b. Collect on a pro-rata basis from the Lessee payment of late charges accrued at the rate of one percent (1%) per month on the outstanding principal balance, in the event of a default by the Lessee as provided in Section 4.10.
- c. Repossess the Equipment without being subject to any action for trespass, conversion, or the recovery from the Lessor of any sums previously received in this Agreement.
- d. Retain prior payments and sell or lease the Equipment through public or private transaction after giving the Lessee reasonable notice with or without having the Equipment at any such sale or leasing. The Lessor may purchase all or part of the Equipment as a result of such transactions. The proceeds of any sale or leasing will be applied to the payment of the unpaid balance of the Lessee's obligations under this Agreement. The Lessee shall remain liable for any deficiency of unpaid payment for the current Agreement Year. Any excess obtained by the Lessor at any sale or leasing of the Equipment over the amounts owed by the Lessee for the remainder of the Agreement shall be paid to the Lessee or to such other persons as is prescribed by law.
- e. By action pursuant to the California Code of Civil Procedure, or as otherwise provided by law, for the issuance of writ of mandamus enforcing, for the entire balance of the term hereof, the duty of the Lessee to appropriate and take all other administrative steps necessary for the making of Lease Payments, Additional Lease Payments and other amounts due hereunder.
- f. Take any other remedy available at law or in equity.
- g. Terminate the Agreement with respect to future financing.

4.11.1 Lessor's attempt to exercise any of the remedies herein entitles the Lessee to prepay, without notice, as provided in Section 7.2 herein, notwithstanding any provision to the contrary.

4.12 Late Payment by Lessor; Breach of Warranty: If the Lessor fails to timely pay the Vendor as set forth in Section 4.3 hereof, or any representation, warranty or statement made by the Lessor herein shall prove false in any material respect when made or furnished, the Lessee may, at its option, take any one or more of the following actions:

- a. Lessor agrees that it shall reimburse Lessee for any late charges associated with such late payment upon presentation by Lessee of satisfactory evidence of payment of such late charge.
- b. Institute all remedies available to the Lessee as available at law or in equity.
- c. Terminate this Agreement with respect to future financings provided that all existing Appendices shall remain in effect.
- d. Upon the Lessee's exercise of any of the remedies herein, the Lessee shall not exercise any further remedy against the Lessor.

ARTICLE 5: RESPONSIBILITIES OF LESSEE

- 5.1 Care and Use of Equipment: At its own expense, the Lessee shall obtain remedial and preventive maintenance, in accordance with the Lessee's maintenance policies and procedures, to keep the Equipment in good operating condition.
- 5.2 Inspection: Subject to security regulations and upon not less than two (2) Business Days prior notice, the Lessee will allow the Lessor to enter the premises where the Equipment is located during normal business hours for the purposes of inspecting the Equipment and observing whether the Lessee is in compliance with its responsibilities.
- 5.3 Taxes: In the event that the Equipment or any portion thereof shall, for any reason, be deemed subject to taxation, assessments, or charges lawfully made by any governmental body, the Lessee shall, during the term of this Agreement, pay the amount of all such taxes, assessments, and governmental charges then due, as Additional Lease Payments, as described in Section 4.5 (b) (i) herein. At the expense and in the name of the Lessee, the Lessee may in good faith contest any such taxes, assessments, and other charges in any reasonable manner which does not, in the opinion of independent counsel, adversely affect the right, title, and interest of the Lessor in and to any item of the Equipment or its rights or interest under this Lease or subject any portion of any item of Equipment to loss or forfeiture, and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest or any appeal therefrom.
- 5.4 Permits and Licenses: The Lessee shall provide all permits and licenses necessary for use of the Equipment. Registration and titling of all vehicles shall be at the Lessee's expense. The Lessee shall comply with all laws, rules, regulations, and ordinances applicable to the use of the Equipment. If compliance with any law, rule, regulation, ordinance, permit, or license requires changes or additions to be made to the Equipment, such changes or additions shall be made by the Lessee at its own expense.
- 5.5 Delivery of Related Documents:
- a. For each item of Equipment, the Lessee shall provide the Lessor with a completed Pre-approval Request, substantially in the form attached hereto. Prior to the date the Equipment is ordered by the Lessee from the Equipment Vendor, the Lessor has the right to approve or disapprove the Pre-approval Request based only on the nature of the acquisition. Provided, however, if the nature of the acquisition indicated in the Pre-approval Request changes materially after the Lessor has agreed to provide financing, the Lessor is not bound by the Pre-approval Request.
 - b. For each item of Equipment the Lessee shall provide an Appendix at least two (2) Business Days prior to the Vendor Payment Date, in substantially the form shown in Attachment A, attached hereto and by this reference incorporated herein, including:
 - 1) A copy of the Equipment Vendor invoice.

- 2) Evidence of the Lessor's security interest (completed Form UCC-1) as of the Vendor Payment Date, provided that such statements shall not impose liabilities and/or responsibilities inconsistent with this Agreement.
 - 3) Original IRS Form 8038-G or 8038-GC; original to be filed by the Lessee with the Internal Revenue Service.
 - 4) A copy of the Manufacturer's Certificate of Origin, if applicable.
 - 5) A copy of the Application for Vehicle Registration, if applicable, stating the Lessor as lien holder. For transactions involving titled vehicles, Lessor will be listed as First Lien-holder on each original Title and LESSOR will hold the original title(s) for the term of the related Appendix.
 - 6) Certificate of Counsel.
 - 7) A copy of the Lessee's resolution or ordinance, where applicable and when specifically requested by the Lessor.
 - 8) Insurance certificates as referenced in Section 5.6
- d. For each item of Equipment, the Lessee shall provide upon written request of the Lessor:
- 1) The Lessee's maintenance agreement on the Equipment, if applicable.
 - 2) Such other documents at the time of execution as the parties reasonably believe necessary to protect their interests in this Agreement and in the Equipment, provided that no such document may impose liabilities and/or responsibilities on the Lessor or the Lessee inconsistent with this Agreement and no such document is deemed to be incorporated into, nor to amend nor to alter the terms of this Agreement.
- e. Upon each draw, the Lessee shall provide a Certificate of Counsel substantially in the form of Attachment B, attached hereto and by this reference incorporated herein.
- f. Upon settlement of the Agreement and thereafter as changes occur, the Lessee will provide a listing of authorized City Representatives to the Lessor.
- 5.6 Risk of Loss: The Lessee shall obtain and maintain for the Agreement Term, at the expense of the Lessee and from reputable commercial insurers, rental interruption insurance, property damage and liability insurance (excess of the City's self-insured retention of three million dollars (\$3,000,000) for Public Liability with an additional two million dollars (\$2,000,000) one time individual member corridor), and insurance against loss or damage to the Equipment, including loss by fire, theft, collision and such other risks of loss as are customarily insured against on the type of Equipment purchased hereunder and by the business in which the Lessee is engaged. Provided, however, that the amount of insurance against loss or damage to the Equipment shall not be less than

the lesser of the full replacement value of the Equipment or the sum of the Lease Payments then remaining unpaid under the Agreement and the amount of rental interruption insurance shall cover lease payments for not less than twelve (12) months.

At the Lessor's request, the Lessee shall furnish to the Lessor a certificate of insurance or other evidence satisfactory to the Lessor that such insurance is in effect and Lessor will require the following:

- a. that the insurer give Lessor at least thirty (30) days prior written notice of any cancellation of its policy;
- b. that Lessor's interests remain insured regardless of any act, error, misrepresentation, omission or neglect of the City; and
- c. that the insurance maintained by the City shall be primary without any right of contribution from insurance which may be maintained by Lessor. The Lessee further agrees to give the Lessor prompt notice of any substantial damage to, or loss of, the Equipment or any part thereof.

5.6.1 The Lessee shall repair, replace, or make the applicable Pre-payment for, within twelve (12) months any item of Equipment which is destroyed or damaged to such an extent that there is substantial interference with the use and right of possession by the Lessee of that item which would result in an abatement of Lease Payments or any item thereof pursuant to Section 4.8 hereof, whether or not there are sufficient insurance proceeds to pay for such repair or replacement. However, the Lessee shall not be required to repair or replace any such item of Equipment pursuant to this Section 5.6 if there shall be applied to the Pre-payment of Lease Payments insurance proceeds or other legally available funds sufficient to prepay all of the principal portion of the remaining Lease Payments for such item of Equipment as set forth in Section 7.2 hereof. The Lessee shall name the Lessor, its successors and assigns, as additional insured and loss payee under any policy obtained pursuant to this Section 5.6.

5.6.2 Notwithstanding the insurance provision of this Section 5.6 to the contrary, Lessee shall have the right to self-insure with respect to any of the insurance required to be carried by Lessee under this Section 5.6.

5.7 Application of Funds: All funds authorized or appropriated for payments under this Agreement shall be applied by the Lessee to such payment requirements.

5.8 Tax Matters: In order to maintain the exclusion from gross income for Federal income tax purposes of the interest component of each Lease Payment due under this Agreement, the Lessee covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended. This covenant shall survive the payment or Pre-payment of all Lease Payments hereunder.

5.8.1 If the Lessor either (i) receives notice, in any form, from the Internal Revenue Service; or (ii) reasonably determines, based on an opinion of independent tax counsel that the Lessor may not exclude all interest from Federal gross income as

the result of any act or omission by the Lessee or a breach of any representation or covenant contained in this Agreement or any schedule, then the Lessee shall pay to the Lessor within thirty (30) days after the Lessor notifies the Lessee of such determination, an amount which after deduction of all taxes required to be paid by the Lessor in respect of the receipt of any amount pursuant to this sentence under the laws of any federal, state or local government or taxing authority of the United States (i.e. on an after tax basis), shall be equal to the sum of all penalties, fines, interest, and additions to tax (including taxes imposed on the interest component of all Lease Payments due through the date of such event) that are imposed on the Lessor as a result of the loss of the exclusion. Additionally, the Lessee agrees that upon the occurrence of such an event, the Lessee shall pay Additional Lease Payments to the Lessor on each succeeding Lease Payment Date in such amount(s) as will maintain the Lessor's after-tax yield(s) and after tax cash flows for the transaction(s) evidenced by the schedules attached to this Agreement as determined by the Lessor based on an applicable tax-equivalent conversion rate.

5.8.2 This Agreement and the rights of the Lessee in the Equipment may not be sold, leased, pledged, assigned or otherwise encumbered by the Lessee for any reason. Such restriction shall not preclude the Lessee from permitting the use of the Equipment by others for public purposes or in furtherance of any governmental or proprietary functions of the Lessee, provided such use does not impair the exclusion of the interest component from gross income for federal income tax purposes.

5.8.3 Taxable Appendix: The City and Lessor understand that in certain circumstances the intended use of Equipment under an Appendix by the City may be such that the interest component of Lease Payments under said Appendix does not qualify for exemption from federal income tax. In such an event the Equipment Lease Rate for said Appendix shall be multiplied by [1.56] in computing the Lease Payments for said Appendix and Sections 5.8.1 and 5.8.2 of the Lease shall not be applicable with respect to said Appendix. In addition, Schedule 4 to said Appendix shall have the following language inserted at the end of the second paragraph of said Schedule: “**This Appendix is a taxable Appendix.** The Equipment Lease Rate shall be further adjusted by multiplying said Equipment Lease Rate by [1.56]. Sections 5.8.1 and 5.8.2 of the Lease shall not be applicable with respect to this Appendix.”

5.9 Record Keeping: Lessee has kept, and throughout the Agreement Term of any Appendix shall keep, its books and records in accordance with generally accepted accounting principles and practices consistently applied as such principles are required to be applied to government agencies by government accounting standards applicable to the Lessee, and shall deliver to the Lessor audited financial statements for the City's Fiscal Year not more than 285 days after the end of each of the City's Fiscal Years which currently ends June 30th.

ARTICLE 6: EQUIPMENT

6.1 Title: Except as otherwise provided in Section 7.3 hereof, title to Equipment in an Appendix shall pass to the Lessee at the time the Equipment is deemed acceptable by

City staff for payment following inspection, installation, and /or testing of the Equipment. Title will, at the Lessor's option, revert to the Lessor upon termination as the result of the occurrence of Event of Default by the Lessee pursuant to Sections 4.10(a), 4.10(b), or 4.10(c), and to the extent permitted by applicable law, the Lessee will indemnify the Lessor from and against any liability arising out of retaining the title to the equipment.

- 6.2 Security Interest: The Lessee grants to the Lessor and the Lessor retains a security interest in the Equipment. The Lessee will not change or remove any insignia or lettering which the Lessor may place on the Equipment to indicate its interest therein until all Lease Payments are made. Until all Lease Payments are made or Pre-payment is complete, the Lessee shall keep the Equipment and any additions, attachments or alterations thereto, free from any lien, encumbrance or legal process which would conflict with this security interest created pursuant to this Agreement. The Lessor shall release its security interest when all Lease Payments are made or Pre-payment is completed.
- 6.3 Filing: Subject to the provisions of Section 5.5 (b) (ii) hereof, the Lessee authorizes the Lessor to make the Lessor's security interest a matter of public record by filings of any standard documents necessary for that purpose. The Lessee agrees to sign or execute such documents to evidence its consent to the filing. The Lessee will provide sixty (60) calendar days written notice to the Lessor that Equipment is being relocated to insure that the Lessor may perfect additional filings as necessary.

When all payments are made or Pre-payment is complete, the Lessor shall make the release of its security interest a matter of public record by filing a UCC, signed release of title where applicable, and/or any and all documents necessary.

- 6.4 Personal Property: The Equipment shall remain personal property of the Lessee and shall not be deemed to have become real property regardless of the manner in which it is affixed to real property.
- 6.5 Alterations, Additions & Attachments: The Lessor hereby agrees to allow the Lessee to add and attach to the Equipment such additional equipment, facilities or fixtures as the Lessee may subsequently acquire (exclusive of repair, service or replacement parts, which do not constitute new equipment, etc.), notwithstanding the form of financing that the Lessee might use. Such additional equipment facilities or fixtures shall not be a part of or subject to this Agreement, unless by express written amendment. No alterations, additions and attachments will cause irreparable damage to the Equipment and will not impair the value, utility or useful life of the Equipment.
- 6.6 Removal of Alterations, Additions & Attachments: In the event title to the Equipment reverts to the Lessor, the Lessee, at its own expense, will remove all alterations, additions, and attachments and repair the Equipment as necessary so as to return the Equipment to the condition in which it was furnished, reasonable wear and tear excepted. The removal of all alterations, additions and attachments and any resultant repair will not impair the value, utility or useful life of the Equipment.
- 6.7 Return of Equipment: Upon rightful demand of the Lessor, as specified herein, for the Equipment listed in any attached Appendix, the Lessee shall use its best efforts to immediately return upon demand, but in no event later than forty five (45) days from

such demand, deliver possession of the Equipment to the Lessor in good operating condition, in compliance with the Lessee's maintenance policies and procedures, normal wear and tear excepted. In such event, the Lessee will, at its own expense, deliver the Equipment to the Lessor at a location designated by the Lessor. Such location, however, shall not be more than one hundred (100) miles from the Lessee's business location. The Lessee will not be responsible for any shipment charges beyond the one hundred (100) mile limit.

- 6.8 Quiet Enjoyment: Provided that the Lessee has duly performed its obligations under this Agreement, the Lessee shall be entitled to possess and use the Equipment during the term of this Agreement without interruption by the Lessor. Any Equipment acquired under terms of this Agreement may be operated at any time at the convenience of the Lessee (exclusive of time required for preventive maintenance, remedial maintenance, and/or approved engineering changes). There shall be no restrictions as to the consecutive hours, length of personnel shifts, etc., unless such restrictions are specifically incorporated in an Appendix. The Lessee may make Equipment available to any other users under conditions where such use is supervised by the Lessee and such Equipment is used for governmental purposes. The Lessee will be responsible for the payments of the equipment and responsible if such sublease caused the transaction to be taxable.

ARTICLE 7: TERMINATION

- 7.1 Termination: The Lessor and the Lessee agree that this Agreement shall remain in full force and effect for the periods set forth in each Appendix.
- 7.2 Pre-payment Provisions: The Lessee shall have the right to prepay without penalty the amounts due under an Appendix, exercisable following [twelve (12) months from the Vendor Payment Date related to such Appendix].

The Lessee's right hereunder shall be exercised by:

- a. The Lessee advising the Lessor, in writing, in advance of Pre-payment, of its intention to prepay its obligations hereunder and the effective date of that payment ("Pre-payment Date"); and
- b. The Lessee paying the Lessor the outstanding principal balance Pre-payment Date together with interest from the most recent Payment Date up to and including the Pre-payment Date.

Upon Pre-payment, the Lessee will pay any sums in arrears.

The Lessee may not exercise its option to prepay an amount less than required for all Equipment under an Appendix without the written consent of the Lessor. Prepayments will be executed only in the amount of \$5,000 or more of outstanding principal.

- 7.3 Lessee's Rights on Pre-payment or Payment in Full: Except as otherwise provided in Section 6.1 hereof, upon (i) the Lessee's exercise of the right of Pre-payment in accordance with the preceding subsection, or (ii) the Lessee's having satisfied all of its monetary and other obligations hereunder, the Lessor shall deliver to the Lessee all documents necessary to transfer or confirm, as the case may be, legal and beneficial title,

and possession free of all liens and encumbrances created by, through, or under Lessor, to the Lessee and to evidence the termination of the Lessor's interest therein. The Equipment will be accepted by the Lessee at that time on an AS IS, WHERE IS basis and the Lessor makes no warranties or representations of any type as to the Equipment.

ARTICLE 8: ASSIGNMENT BY LESSOR

- 8.1 Right of Assignment: This Agreement shall be binding upon and inure to the benefit of the Lessor and the Lessee. The Lessor may assign its rights, duties and obligations under this Agreement to the permitted assignee(s). Additionally, with the prior written consent of the Lessee, not to be unreasonably withheld, the Lessor may assign its rights, duties and obligations under this Agreement to a qualified third party. This Agreement, the Lessor's rights hereunder, or the obligations hereby described are not assignable by the Lessor except as provided in Section 8.2, or transferable except by written mutual agreement of the parties hereto.
- 8.2 Assignment by Lessor: The Lessor or any subsequent assignee shall not sell certificates of participation or other publicly offered securities based on Lease Payments by the Lessee. However, for the purpose of providing funds for financing the purchase of the Equipment, or for any other purpose, the Lessee agrees (i) that the Lessor may assign, sell, transfer or encumber all or any part of this Agreement, the Equipment and the Lease Payments hereunder, and (ii) in the event of any such assignment of Lease Payments hereunder and written notice thereof to the Lessee, to unconditionally pay directly to any such assignee all Lease Payments and other sums due or to become due under this Agreement.

THE RIGHTS OF ANY SUCH ASSIGNEE SHALL NOT BE SUBJECT TO ANY DEFENSE, COUNTERCLAIM OR SET OFF WHICH LESSEE MAY HAVE AGAINST THE LESSOR. BUT THE LESSEE SHALL NOT BE PRECLUDED FROM ASSERTING AGAINST ANY ASSIGNEE ANY CLAIM IT MAY HAVE AS A RESULT OF ASSIGNEE'S BREACH OF ANY OF THE OBLIGATIONS OF THE LESSOR HEREUNDER OCCURRING AFTER ANY SUCH ASSIGNMENT.

Notwithstanding any of the foregoing, any such assignment (A) shall be subject to the Lessee's right to possess and use the Equipment so long as the Lessee is not in default under this Agreement, and (B) shall not release any of the Lessor's obligations hereunder to the extent not assumed by the Assignee.

ARTICLE 9: WARRANTIES AND REPRESENTATIONS

- 9.1 Warranties and Representations of the Lessee: The Lessee represents and warrants to the Lessor and, so long as this Agreement is in effect or any part of the Lessee's obligations to the Lessor remain unfulfilled, shall continue to warrant at all times, that:
- a. The Lessee is duly organized and validly existing and has the power and authority to enter into the Transaction Documents to which it is a party and to carry out the terms thereof.

- b. This Agreement and all other Transaction Documents and the performance of the Lessee's obligations thereunder have been duly and validly authorized and approved under all laws and regulations and procedures applicable to the Lessee, the consent of all necessary persons or bodies has been obtained and all of the Transaction Documents executed by the Lessee have been duly and validly executed and delivered by authorized City Representative(s) and constitute absolute and unconditional legal, valid and binding obligations of the Lessee enforceable against the Lessee in accordance with their respective terms.
- c. The leasing of the Equipment will serve a function which presently is, and is anticipated to continue to be, essential to the proper, efficient and economic operation of the Lessee.
- d. During the term of this Agreement, the Equipment will at all times be used by the Lessee and its agents, and will not be used by a nongovernmental person or entity other than the general public on an equal basis.
- e. There is no litigation or proceeding pending or threatened against the Lessee or any other person affecting the right of the Lessee to execute this Agreement or the ability of the Lessee to make the Lease Payments required hereunder or to otherwise comply with the obligations contained herein.

9.2 Warranties and Representations of the Lessor: The Lessor represents and warrants to the Lessee and, so long as this Agreement is in effect or any part of the Lessor's obligations to the Lessee remain unfulfilled, shall continue to warrant at all times that:

- a. The Lessor is a National Banking Association, corporation or other entity in good standing and has the power and authority to enter into the Transaction Documents to which it is a party and to carry out the terms thereof.
- b. The Transaction Documents executed by the Lessor have been duly authorized, approved, executed and delivered by its authorized representatives and constitute legal, valid and binding obligations of the Lessor enforceable against the Lessor in accordance with their respective terms.
- c. The Lessor shall not pledge or assign the revenues or any of its other rights under this Agreement except for any assignment pursuant to this Agreement as stated under Section 8.2; and the Lessor shall not mortgage or otherwise encumber the Equipment.
- d. To the knowledge of the Lessor, there is no litigation or proceeding pending or threatened against the Lessor or any other person affecting the right of the Lessor to execute or deliver this Agreement or to comply with its obligations under this Agreement. The execution and delivery of this Agreement by the Lessor, and compliance by the Lessor with its obligations under this Agreement, will not require the approval of any regulatory body, any parent company, or any other entity, from which approval has not yet been obtained.

ARTICLE 10: GENERAL

- 10.1 Conflict of Interest: Lessor is subject to all federal, state and local conflict of interest laws, regulations and policies applicable to public agreements and procurement practices, including but not limited to California Government Code sections 1090, et. seq. and 81000, et. seq., the City of San Diego Ethics Ordinance, codified in the San Diego Municipal Code at Section 27.3501 to 27.3595. The City may determine that a conflict of interest code requires the Lessor to complete one or more statements of economic interest disclosing relevant financial interests. Upon City's request, Lessor shall submit the necessary documents to the City.
- 10.2 Governing Law: This Agreement and all Transaction Documents shall be deemed to be made under, and shall be construed in accordance with and governed by the laws of the State of California without regard to the conflicts or choice of law provisions thereof.
- 10.3 Legal Requirements: Federal, state, county and local laws, ordinance, rules and regulations that in any manner affect the goods or services covered herein apply. Lack of knowledge by the Lessor will in no way be a cause for relief from responsibility. Any acts or omissions of Lessor in violation of federal, state, or municipal law, City Charter, City Policies or regulations (regarding anti-competitive practices, unfair trade practices, collusion, gratuities, kickbacks, contingent fees, contemporaneous employment, or similar violations creating an unfair influence on the public solicitation and award process pertaining to this Agreement) shall void this Agreement. In addition to all other remedies or damages allowed by law, Lessor is liable to City for all damages arising out of the violation of any applicable law, including costs for substitute performance, and is subject to Suspension and Debarment as defined in the RSFQ.
- 10.4 Drug-Free Workplace: The Lessor agrees to comply with the City's Drug-Free Workplace requirements set forth in Council Policy 100-17, adopted by San Diego Resolution R-277952 and incorporated into this Agreement by this reference. The City expressly waives the posting requirement specified in subdivision (3) of Council Policy 100-17.
- 10.5 Notices: Notices under this Agreement shall be in writing, shall reference the Contract Number, and shall be considered effective upon personal delivery to the individuals listed below or five (5) calendar days after deposit in any U.S. mailbox, first class and addressed to the other party as follows:

Notices to the Lessor:

BANC OF AMERICA PUBLIC CAPITAL CORP
[ATTENTION: LEASE ADMINISTRATION
555 California Street, 4th Floor
San Francisco, CA 94104]

Notices to the Lessee:

The City of San Diego
Attn.: EVFP Coordinator
Debt Management Department
202 C Street, MS 7B
San Diego, CA 92101

With a Copy To:

The City of San Diego:
Purchasing Agent
Purchasing & Contracting Department
1200 Third Avenue, Suite 200
San Diego CA, 92101

10.6 Federal, State and Local Reporting Compliance: The Lessor shall provide such financial and program information as required by the City of San Diego to comply with all Federal, State and local law reporting requirements.

10.7 Nondiscrimination

10.7.1 Nondiscrimination in Employment: The Lessor shall comply with the City's Equal Opportunity Contracting Program. The Lessor shall not discriminate against any employee or applicant for employment on any basis prohibited by law. The Lessor shall provide equal opportunity in all employment practices. The Lessor shall ensure that its Subcontractors comply with the City's Equal Opportunity Contracting Program Contractor Requirements. Nothing in this Section shall be interpreted to hold the Lessor liable for any discriminatory practice of its Subcontractors

10.7.2 Nondiscrimination in Contracting: The Lessor shall not discriminate on the basis of race, gender, religion, national origin, ethnicity, sexual orientation, age, or disability in the solicitation, selection, hiring or treatment of Subcontractors, Contractors or suppliers. The Lessor shall provide equal opportunity for Subcontractors to participate in sub contracting opportunities. The Lessor understands and agrees that violation of this clause shall be considered a material breach of this Agreement and may result in contract termination, debarment, and other sanctions. This language shall be in contracts between the Lessor and any Subcontractors, Lessors and suppliers.

10.7.3 Contract Disclosure Requirements: Upon the City's request, the Lessor agrees to provide to the City, within sixty (60) calendar days, a truthful and complete list of the names of all Subcontractors, Contractors, and suppliers that the Lessor has used in the past five (5) years on any of its agreements that were undertaken within San Diego County, including the total dollar amount paid by the Lessor for each sub contract or supply agreement. The Lessor further agrees to fully cooperate in any investigation conducted by the City pursuant to the City's

Nondiscrimination in Contracting Ordinance San Diego Municipal Code sections 22.3501-22.3517. The Lessor understands and agrees that violation of this clause shall be considered a material breach of this Agreement and may result in remedies being ordered against the Lessor up to and including agreement termination, debarment, and other sanctions.

10.7.4 Substantial Compliance: Notwithstanding the specific requirements under section 10.7 of this Agreement, the City acknowledges that Lessor's nondiscrimination policies substantially comply with the City's requirements and are in conformance therewith.

10.8 Project Personnel: Key personnel identified in Lessor's response to the RFSQ shall be the individuals who will actually complete the work, at the proposed levels of effort. If a key team member needs to be changed for any reason, the Lessor shall find a suitable replacement and notify Lessee of such change.

10.9 Gratuities. This Agreement may be terminated by written notice if the Purchasing Agent determines that the Lessor, its agent, or another representative:

- a. Offered or gave a gratuity (e.g. an entertainment or gift) to an officer, or employee of the City of San Diego; and
- b. Intended, by the gratuity, to obtain an agreement or favorable treatment under an agreement.

If this Agreement is terminated under the first paragraph above, The City is entitled to pursue breach of contract remedies and all other remedies available at law.

10.10 Insolvency: In the event the Lessor enters into proceedings relating to bankruptcy, whether voluntary or involuntary, the Lessor agrees to furnish, by certified mail or electronic commerce method authorized by this Agreement, written notification of the bankruptcy to the Purchasing Agent responsible for administering the Agreement. This notification shall be furnished within five (5) days of the initiation of the proceedings relating to bankruptcy filing. This notification shall include the date on which the bankruptcy petition was filed, the identity of the court in which the bankruptcy petition was filed, and a listing of the City of San Diego contract numbers and Agreement offices for all the City of San Diego agreements against which final payment has not been made. This obligation remains in effect until final payment under this Agreement.

10.11 Dispute Resolution: If a dispute arises out of or relates to this Agreement and if said dispute cannot be settled through normal contract negotiations, the Lessor and the City must first endeavor to settle the dispute in an amicable manner, using mandatory non-binding mediation under the rules of the American Arbitration Association or any other neutral organization agreed upon before having recourse in a court of law.

10.11.1 Selection of Mediator. A single mediator that is acceptable to both parties shall be used to mediate the claim. The mediator will be knowledgeable in the subject matter of this Agreement, if possible, and chosen from lists furnished by the American Arbitration Association or any other agreed upon mediator.

- 10.11.2 Expenses. The expenses of witnesses for either side shall be paid by the party producing such witnesses. All other expenses of the mediation, including required traveling and other expenses of the mediator, and the cost of any proofs or expert advice produced at the direct request of the mediator, shall be borne equally by the parties, unless they agree otherwise.
- 10.11.3 Conduct of Mediation Sessions. Mediation hearings will be conducted in an informal manner and discovery will not be allowed. The discussions, statements, writings and admissions will be confidential to the proceedings (pursuant to California Evidence Code Sections 1115 through 1128) and will not be used for any other purpose unless otherwise agreed by the parties in writing. The parties may agree to exchange any information they deem necessary. Both parties shall have a representative attend the mediation who is authorized to settle the dispute, though the City's recommendation of settlement may be subject to the approval of the Mayor and City Council. Either party may have attorneys, witnesses or experts present.
- 10.11.4 Mediation Results. Any resultant agreements from mediation shall be documented in writing. The results of the mediation shall not be final or binding unless otherwise agreed to in writing by the parties. Mediators shall not be subject to any subpoena or liability and their actions shall not be subject to discovery.
- 10.12 Licenses and Permits: Lessor shall, without additional expense to the City of San Diego, be responsible for obtaining any necessary licenses, permits, certifications, accreditations, fees and approvals for complying with any federal, state, county, municipal, and other laws, codes, and regulations applicable to the performance of the work or to the products or services to be provided under this Agreement including, but not limited to, any laws or regulations requiring the use of licensed contractors to perform parts of the work.
- 10.13 Taxes: The City will furnish Exemption Certificates for Federal Excise Tax. The City is liable for State, City, and County Sales Taxes. Do not include this tax in the Amount proposed in the RSFQ; it will be added to the net amount invoiced. All or any portion of the City Sales Tax returned to the City will be considered in the evaluation of Proposals defined in the RSFQ.
- I.R.S. regulations require the City to have the correct name, address, and Taxpayer Identification Number (TIN) or Social Security Number (SSN) on file for businesses or persons who provide services or products to the City. This information is necessary to complete Form 1099 at the end of each tax year.
- In order to comply with I.R.S. regulations, the City requires each Lessor to provide a Form W-9 prior to Award of Agreement as defined in the RSFQ. Failure to provide a completed Form W-9 within ten (10) business days of the City's request may result in a Proposal being declared non-responsive and rejected.
- 10.14 Publicity Releases: All publicity releases or releases of reports, papers, articles, maps, or other documents in any way concerning this Agreement or the work, hereunder, which

the Lessor or any of its subcontractors desires to make for purposes of publication in whole or in part, shall be subject to approval by the Purchasing Agent prior to release.

- 10.15 Pending Legal Dispute: If the Lessor is currently involved in litigation with the City or any of the Agencies identified in the RSFQ, the Lessor must identify the title of the litigation, the Court(s) where the litigation is pending, and the case number(s), along with a brief description(s) of the nature of the dispute(s).
- 10.16 Time of Essence: Time is of the essence for each provision of this Agreement unless specified otherwise.
- 10.17 Americans with Disabilities Act Certification: The Lessor hereby certifies that it agrees to comply with the City's Americans with Disabilities Act Compliance/City Contracts requirements set forth in Council Policy 100-04, adopted by San Diego Resolution R-282153 and incorporated into this Agreement by this reference. The City expressly waives the posting requirement specified in subdivision 3 of Section 2.A. of Council Policy 100-04.
- 10.18 Debarment Proceedings: Lessor misconduct may be punishable by suspension or debarment in accordance with San Diego Municipal Code Sections 22.0801, *et seq.*
- 10.19 Product Endorsements: Lessor is prohibited from indicating, either directly or by implication, that the City has endorsed its goods or services without prior written authorization by the City.
- 10.20 Severability: The unenforceability, invalidity, or illegality of any provision of the Transaction Documents shall not render any other provision unenforceable, invalid, or illegal.
- 10.21 No Waiver: No failure of either the City or the Lessor to insist upon the strict performance by the other of any covenant, term or condition of this Agreement, nor any failure to exercise any right or remedy consequent upon a breach of any covenant, term, or condition of this Agreement, shall constitute a waiver of any such breach of such covenant, term or condition. No waiver of any breach shall affect or alter this Agreement, and each and every covenant, condition, and term hereof shall continue in full force and effect without regard to any existing or subsequent breach.
- 10.22 Covenants and Conditions: All provisions in this Agreement expressed as either covenants or conditions on the part of the City or Lessor, shall be deemed to be both covenants and conditions.
- 10.23 Headings: All article headings are for convenience only and shall not affect the interpretation of the Agreement.
- 10.24 Independent Contractors: The Lessor and any subcontractors employed by the Lessor shall be independent contractors and not agents of the City. Any provisions in this Agreement that may appear to give the City any right to direct the Lessor concerning the details of performance, or to exercise any control over such performance, shall mean only that the Lessor shall follow the direction of the City concerning the end results of the performance.

- 10.25 Successors in Interest: This Agreement and all rights and obligations created by this Agreement shall be in force and effect whether or not any parties to this Agreement have been succeeded by another entity, and all rights and obligations created by this Agreement shall be vested and binding on any party's successor in interest.
- 10.26 Business Tax License: Any company doing business with the City of San Diego is required to comply with Section 31.0301 of the San Diego Municipal Code regarding Business Tax.
- 10.27 Compliance with Controlling Law: The Lessor shall comply with all laws, ordinances, regulations, and policies of the federal, state, and local governments applicable to this Agreement. In addition, the Lessor shall comply immediately with all directives issued by the City or its authorized representatives under authority of any laws, statutes, ordinances, rules, or regulations.
- 10.28 Equal Benefits: Effective January 1, 2011, any agreement awarded from the RSFQ is subject to the City of San Diego's Equal Benefits Ordinance (the "EBO"), Chapter 2, Article 2, Division 43 of the San Diego Municipal Code.

In accordance with the EBO, Lessor must certify they will provide and maintain equal benefits as defined in SDMC §22.4302 for the duration of this Agreement. Failure to maintain equal benefits is a material breach of this Agreement. The City expressly waives the posting requirement specified in section 22.4304(b) of the EBO.

Lessor also must give the City access to documents and records sufficient for the City to verify the Lessor and any contractors are providing equal benefits and otherwise complying with EBO requirements.

- 10.29 Implementation: This Agreement shall be implemented by its execution or execution of Appendices hereto. Each Appendix incorporates all terms and conditions of this Agreement. For purposes of construing a transaction an integrated agreement the following shall be considered a single transaction or legal binding agreement:
- a. The Agreement, which provide basic terms and conditions.
 - b. An executed Appendix, which provides for the description of the Equipment to be purchased, the payments from the Lessee to the Lessor for the purchase of such equipment, and the Pre-payment amounts.
- 10.30 Amendment: Neither this Agreement nor any of the Transaction Documents may be amended unless the same be in writing and signed by the parties hereto.
- 10.31 Contractual Records: All contractual books, records, and other documents related to matters under this Agreement shall be made available by the Lessor to the Lessee and its designated agents for a period of five (5) years after final payment for purposes of audit and examination.

- 10.32 Entire Agreement: This Agreement, the Appendices, the Attachments, and Exhibits as may be hereafter executed constitute the entire agreement between the parties hereto. All prior negotiations, representations and additional or inconsistent oral or written statements are superseded, null and void.
- 10.33 Indemnification: Unless expressly set forth herein, the Lessor and Lessee agree that neither party indemnifies the other.
- 10.34 Tax Opinion: The Lessee will receive a tax opinion from a qualified tax counsel regarding the tax exempt status of an Appendix funding amount greater than \$10,000,000.

ARTICLE 11: DISCLAIMER OF WARRANTIES

- 11.1 THE LESSOR MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESSED OR IMPLIED, RELATING TO THE EQUIPMENT; AND THE LESSOR HAS EXPRESSLY MADE NO WARRANTY AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE EQUIPMENT.
- 11.2 Lessor shall not be liable to the Lessee or any other person for any liability, loss or damage caused or alleged to be caused, directly or indirectly, by the Equipment or by any inadequacies thereof or deficiency or defect therein, by any incident whatsoever in connection therewith or in any way related to or arising out of this Agreement. The Lessee shall be entitled to the benefit of any applicable manufacturer's warranties. The Lessor agrees to execute and deliver such further instruments as may be necessary, in the reasonable opinion of the Lessee, to enable it to enforce such warranties and obtain the warranties and service furnished for the Equipment by the manufacturer.

ARTICLE 12: LOCAL BUSINESS AND EMPLOYMENT

- 12.1 The Lessor acknowledges that the Lessee seeks to promote employment and business opportunities for local residents and firms on all Lessee agreements. The Lessor will, to the extent legally possible, solicit applications for employment, and bids and proposals for subcontractors, for work associated with this Agreement from local residents and firms as opportunities occur. The Lessor agrees to hire qualified local residents and firms whenever feasible.
- 12.2 The Lessor understands that failure to comply with the above requirements, and/or submitting false information in response to these requirements, may result in termination of this Agreement, and/or suspension from participating in future City agreements as a Lessor for a period of not less than one (1) year. For additional or subsequent violation, the period of suspension may be extended for a period of up to three (3) years. Failure to satisfy penalties imposed pursuant to this section shall prohibit the Lessor from participating in future City agreements until all penalties have been satisfied.

ARTICLE 13: SAN DIEGO SPECIFIC COMMUNITY
REINVESTMENT PROGRAMS

- 13.1 It is the policy of the City to encourage financial institutions doing business within its boundaries to develop and implement San Diego-specific community reinvestment programs consistent with the spirit of the Community Reinvestment Act of 1977 (“CRA”), programs that promote the economic stability and growth of the City of San Diego and meet the financial needs of all of its neighborhoods and residents.

Firms projecting total annual compensation in excess of \$100,000 and whose total assets exceed \$250 million will be responsible for providing the City with information regarding any San Diego-specific reinvestment program currently in place, as well as information regarding any reinvestment activities undertaken by the firm in San Diego consistent with the spirit of the CRA. The City will make this information available to the San Diego City-County Reinvestment Task Force for compilation and analysis.

ARTICLE 14: SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

LESSEE: CITY OF SAN DIEGO

By: _____

(Name)

Chief Financial Officer

(Title)

Date: _____

LESSOR: BANC OF AMERICA PUBLIC CAPITAL CORP

By: _____

(Name)

(Title)

Date: _____

APPROVED AS TO FORM AND LEGALITY this ____ day of _____ 20 ____.

By: _____

(Name)

Deputy City Attorney

APPENDIX NO.
SCHEDULE 1
ACCEPTANCE CERTIFICATE

[Contract No. SD-____]

The City of San Diego hereby accepts for purposes of the Master Lease Agreement dated as of _____(the "Agreement") by and between BANC OF AMERICA PUBLIC CAPITAL CORP and the City of San Diego, the Equipment described below, evidencing acceptance pursuant to the Agreement. Pursuant to the Agreement, the undersigned City Representative certifies that the Equipment described below (i) has been delivered to the City and installed at ____; (ii) has been fully and finally accepted by the City; (iii) has been found by the City to be in good working order and (iv) has insurance coverage required by Section 5.6 of the Agreement. (All capitalized terms in this Appendix have the meanings set forth in the Agreement.)

	Manufacturer/ <u>Seller</u>	Identification <u>or Serial No.</u>	<u>Cost</u>
<u>Quantity</u>	<u>Description</u>		

CITY OF SAN DIEGO

By:_____

(Name)

(Title)

Dated:_____

APPENDIX NO.

SCHEDULE 2

DISBURSEMENT AUTHORIZATION CERTIFICATE

[Contract No. SD-____]

In accordance with the terms of the Agreement dated as of _____ by and between BANC OF AMERICA PUBLIC CAPITAL CORP and the City of San Diego, the City hereby submits this Disbursement Authorization Certificate to request a disbursement under the Agreement for certain Equipment shown on Schedule 1 of this Appendix. The City represents and warrants for all purposes of this Certificate that:

1. The amount of the disbursement pursuant to this Certificate is \$ _____ (the "Equipment Purchase Amount" less any portion cash funded by the City). Such disbursement is to be made on or before _____ (the "Vendor Payment Date "). The sales tax will be paid by the City directly to the Equipment Vendor, at the prevailing rate, for all equipment acquired from California Equipment Vendors. The sales tax will be paid by the City directly to the State of California, at the prevailing rate, for new equipment acquired from out-of-state Equipment Vendors.
2. Payment of the disbursement requested hereby is to be made to _____ (the City or "Equipment Vendor") at the following address, pursuant to the attached vendor invoice:

_____ (tel. no.)

_____ (FAX)

3. Attached hereto is a copy of an executed UCC-1 form and Exhibit or other appropriate financing statement, in proper form for filing, evidencing the Lessor's security interest in the Equipment with respect to the disbursement under this Certificate.

CITY OF SAN DIEGO

By: _____
(Name)

(Title)

Dated: _____

EXHIBIT

All goods, equipment, general intangibles and other property described in Attachment A, Schedule 1 attached hereto and made a part hereof, and subject to the Master Lease Agreement Dated as of _____ between Lessee and Lessor, wherever located, together with (i) all substitutions for, and products and proceeds of any of the foregoing property, (ii) all accessions thereto, (iii) all accessories, attachments, parts, and repairs now or hereafter attached or affixed to any of the foregoing property, and (iv) if any escrow account is implemented with respect to such Master Lease Agreement, all securities, funds, moneys, deposits and other property at any time held in or subject to such escrow account.

APPENDIX NO.

SCHEDULE 2 CONTINUED

DISBURSEMENT AUTHORIZATION CERTIFICATE

[Contract No. SD-____]

4. Lessor hereby certifies that payment in the amount of _____ was made to _____ the “Equipment Vendor” (or the City of San Diego in the case of reimbursement), on _____. Payments shall be made semi-annually to the Lessor commencing on _____ pursuant to Schedule 4 of this Appendix. Payments shall be remitted to the following address:

CAPITAL CORP

BANC OF AMERICA PUBLIC

By: _____
(Signature)

(Name - Type or Print)

(Title)

Dated: _____

APPENDIX NO.

SCHEDULE 3

CITY REPRESENTATION CERTIFICATE

[Resolution or Ordinance No. ____]

The City of San Diego (the "City") represents and warrants to the Lessor that:

1. The City is a duly organized and validly existing political subdivision of the State of California.
2. The Equipment is of a size, design, capacity and manufacture selected by the City and the City has selected the Equipment of a design, type and size for the purposes for which the Equipment is intended.
3. The City's participation in the Agreement and the performance of the City's obligations thereunder have been duly authorized, approved and executed under all laws, rules, regulations, and procedures applicable to the City.
4. The City has obtained the consent of all necessary bodies and the City has the power to enter into and carry out its obligations under the Agreement.
5. The City has complied with all statutory requirements pertaining to the acquisition of the Equipment.
6. Funds have been specifically provided for Lease Payments in the City's current appropriations for the Equipment and said funds are sufficient to make the payments contemplated under the Agreement through the end of the Contract Year and future lease payments will be appropriated in accordance with Section 4.7 of the Agreement.
7. The Equipment is personal property, has a useful life greater than or equal to the term on an Appendix and will be used for essential governmental purposes.

CITY OF SAN DIEGO

By:_____

(Name)

(Title)

Dated:_____

APPENDIX NO.

SCHEDULE 4

PAYMENT SCHEDULE CERTIFICATE

[Contract No. SD-_____]

All terms and conditions of the Master Lease Agreement dated as of _____ by and between BANC OF AMERICA PUBLIC CAPITAL CORP, as lessor hereunder (“the Lessor”), and the City of San Diego (the “Lessee”) as lessee, are hereby incorporated herein by reference as if such were fully set forth herein and Lessee reaffirms all of its representations and warranties contained in the Agreement. Lessee warrants that no Event of Default or any event which, with the passage of time or the giving of notice would constitute a default, has occurred under the Agreement.

Pursuant to the terms of the Agreement, the City requests that the lease purchase of the Equipment with respect to this Appendix in the amount of \$_____ be financed over a [year][month] period. Based on the Acceptance Date, the Index Rate for this financing is ____% and the Percentage of Index Rate is ____%. Based on the Index Rate, the Equipment Lease Rate for this financing is ____%.

[Placeholder]- Any provisions of the Agreement to the contrary notwithstanding, Lessee hereby grants to Lessor a security interest in the Equipment (now existing or hereafter acquired) as collateral security for Lessee’s obligations under this Appendix and Appendix No. _____ (collectively, the “Obligations”). Lessor will not release its security interest in the Equipment until the Obligations are indefeasibly paid in full.

[Placeholder]- Any provisions of the Agreement to the contrary notwithstanding, prepayment of this Appendix by the Lessee shall be permitted throughout the lease term (as calculated from the lease commencement date) and the Prepayment price payable pursuant to the terms of Section 7.2 of the Agreement will be ____% of the principal amount outstanding, in addition to accrued interest and amount then due and owing.

The initial payment for this financing is \$____, and will be due on _____, thereafter, the semi-annual payment will be \$____. The schedule of lease payments for the Equipment with respect to this Appendix is as follows: [See attached Debt Service Schedule]

CITY OF SAN DIEGO

By:_____

(Name)

(Title)

Dated:_____

CERTIFICATE OF COUNSEL

This office is counsel to the Lessee and in that capacity we have examined Contract No. SD _____ between the City of San Diego (“Lessee”) and BANC OF AMERICA PUBLIC CAPITAL CORP (“Lessor”).

As a result of our examination of the Agreement and such other examinations as we deemed appropriate, we have advised the Lessee and hereby indicate to BANC OF AMERICA PUBLIC CAPITAL CORP (“Lessor”) that, in our view:

1. The Lessee is a political subdivision of the State of California, duly organized, existing and operating under the Constitution and laws of the State of California and the City's home rule charter;
2. The Lessee is authorized by the Constitution and the laws of the State of California to enter into the transactions contemplated by the Agreement and to carry out its obligations thereunder;
3. The Lessee's participation in the Agreement and the performance of the Lessee's obligations thereunder have been duly authorized, approved and executed under all laws, regulations and procedures applicable to the Lessee;
4. The Agreement and all Appendices thereto have been duly authorized, approved, executed and delivered by and on behalf of the Lessee, and are legal, valid and binding contracts of the Lessee enforceable in accordance with their respective terms, except to the extent limited by state and federal laws affecting remedies and by bankruptcy, reorganization or other laws of general application relating to or affecting the enforcement of creditors' rights;
5. No approval, consent, or withholding of objection is required from any governmental authority with respect to the entering into or performance by the Lessee of the Agreement or the transaction contemplated thereby; or if any such approval is required, it has been obtained;
6. The entering into and the performance of the Agreement will not violate any judgment, or order, applicable to the Lessee or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest, or other encumbrance upon any assets of the Lessee other than the Equipment subject to the Agreement pursuant to any instrument to which the Lessee is a party or by which it or its assets may be bound;

7. This Certificate shall not be deemed to confer any authority or obligation upon the Lessee to the Lessor or Lessor's assignees other than exist under the laws of the State of California in the absence of this Certificate; and
8. To the knowledge of the Lessee, there is no litigation or proceeding pending or threatened against the Lessee or any other person affecting the right of the Lessee to execute this Agreement or the ability of the Lessee to make the Lease Payments required hereunder or to otherwise comply with the obligations contained herein.
9. Resolution/Ordinance Number _____ of the governing body of Lessee was duly and validly adopted, modified or supplemented and remains in full force and effect.
10. The Lessor, its assignees or assigns may rely on this opinion.

CITY OF SAN DIEGO

I hereby approve the form and legality of the foregoing Agreement this _____ day of _____, 20__.

City Attorney

By: _____

**SAN DIEGO EQUIPMENT AND VEHICLE FINANCING PROGRAM
DEBT MANAGEMENT PRE-APPROVAL**

Date:

Debt Management:

Telephone:

FAX:

Department:

Contact:

Telephone:

Equipment Costs:

Total Costs:

Financing Term:

Est. Delivery Date:

Delivery in Installments?

Yes/No

Amount Financed:

Useful Life:

Est. Financing Date:

Equipment Description:

Manufacturer:

Vendor:

Terms:

General Description:

Bid No./Quantity to be Ordered:

Reference Bid:

Quantity:

Unit Price:

Ref: Equipmment No(s):

****For additional information, please see attached spreadsheet***

Ref. City Ordinance#

Essential Use:

Is this additional or replacement Equipment?

Additional_____

Replacement_____

If replacement, what is the age of the equipment being replaced?

See attached spreadsheet

Why is the equipment needed?

Equipment will be used to replace overage motive
equipment and to reduce operating & maintenance costs

What function does the equipment perform?
(essential use)

Used by General Fund departments to transport
personel and materials

Is/Are the next payment(s) included in the fiscal year budget?

([LESSOR]) agrees to provide financing for equipment as noted.

By:

Title:

Name:

Date:

PRE-APPROVAL PROCEDURE*

1. The Lessee to provide the Lessor a completed “PRE-APPROVAL FORM” as represented as Attachment C of the Agreement, along with any attachments, as necessary, to further describe any Equipment in the PRE-APPROVAL FORM. Descriptions of the Equipment shall contain:
 - a. Make/Manufacturer/Model/Year/ Vendor/Provider of service
 - b. Term of the useful life
 - c. Cost of each piece of Equipment/Service
 - d. Vendor Contact Information
 - e. Expected Delivery Date
 - f. Bid/Contract Number for the Equipment
2. The Lessor shall confirm, via email, within one (1) business day, receipt of such Pre-approval Request and diligently review and provide, via email, approval/rejection of the Pre-approval Request within three (3) business days.
3. Approval shall be indicated by signature of an authorized signatory of the Lessor at the bottom of the PRE-APPROVAL FORM, indicating their printed name, title and the effective date of the Pre-Approval Request. If additional pages are attached to the PRE-APPROVAL FORM, those pages shall also bear a similar signature, title, and date.
4. Shall the Lessor reject a Pre-approval Request; the Lessor shall indicate, by drawing two diagonal red lines across the PRE-APPROVAL FORM and strike-through the word “agrees” and add the word “REJECTED” on the bottom of the PRE-APPROVAL FORM, as well as a signature of an authorized signatory of the Lessor at the bottom of the PRE-APPROVAL FORM, indicating their printed name, title and the effective date of the rejection, via email (or 1st class USPS mail). The Lessor shall include a detailed description of the Lessor’s rationale for rejecting the Pre-Approval Request.
5. The acceptance of Pre-Approval Request by the Lessor shall not bind the Lessee to execute an Appendix for any of the Equipment/Services listed in any Pre-Approval Request.

*Capitalized terms in this Procedure shall be those terms as defined in the Agreement.

DOCKET SUPPORTING INFORMATION
CITY OF SAN DIEGO
EQUAL OPPORTUNITY CONTRACTING EVALUATION

DATE:
November 2, 2016

SUBJECT: Master Lease Agreement to Finance Vehicles and Equipment

GENERAL CONTRACT INFORMATION

Recommended Consultant: Banc of America Public Capital Corp. (Not Certified, M Cauc)

Amount of this Action: \$31,300,000.00 (FY18-25)

Funding Source: Master Lease Agreement

Goal: N/A

SUBCONSULTANT PARTICIPATION

There is no subconsultant participation associated with this action.

EQUAL EMPLOYMENT OPPORTUNITY COMPLIANCE

Equal Opportunity: Required.

Banc of America submitted a Work Force Report for their Maricopa employees dated June 3, 2016 and St. Charles and Baltimore employees dated September 30, 2016.

The Maricopa and St. Charles branches have fewer than 15 employees and therefore, are exempt from the employment category goals.

The Baltimore Work Force Report indicates under representation in the following categories:

African-American and Female in Professional

This agreement is subject to the City's Equal Employment Opportunity Outreach Program (San Diego Ordinance No. 18173, Section 22.2701 through 22.2708) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

ADDITIONAL COMMENTS

Total repayment on the not-to-exceed \$30 million is estimated at \$31.3 million over FYs 2018-2025.

TC