



CITY OF CARSON

Legislation Text

File #: 2020-888, Version: 1

Report to Mayor and City Council

Tuesday, January 26, 2021

Discussion

SUBJECT:

CONSIDER ADOPTING RESOLUTION NO. 21-008 A RESOLUTION OF THE CITY OF CARSON, CALIFORNIA DETERMINING TO ENTER INTO A LEASE AGREEMENT WITH JP MORGAN CHASE BANK RELATED TO THE PURCHASE OF CERTAIN HEATING, VENTILATION, AND AIR CONDITIONING (HVAC) EQUIPMENT, APPROVING AGREEMENTS AND OTHER DOCUMENTS RELATED THERETO AND DECLARING ITS OFFICIAL INTENT TO REIMBURSE ITSELF FOR EXPENDITURES (CITY COUNCIL).

I. SUMMARY

On November 17, 2020, the City Council approved a design-build agreement between TRANE U.S. INC and the City of Carson concerning new air filtration and HVAC systems at the City Hall and the Community Center in response to emergency action authorized during the August 4, 2020 City Council meeting. Staff issued a Request for Proposals (RFP No. 20-33) to solicit tax-exempt lease purchase financing to support the City's HVAC improvement project. After review of the six submissions received, on December 21, 2020 the City sent a Notice of Intent to Award to JP. Morgan Chase. The Lease purchase documentation was provided by JP Morgan and negotiated to the satisfaction of the City's Finance Director and Counsel. Staff recommends that the City Council approve Resolution No. 21-008 authorizing staff to enter into a Lease agreement with JP Morgan Chase and the official documents related thereto.

II. RECOMMENDATION

TAKE the following action:

WAIVE further reading and ADOPT Resolution No. 21-008, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, DETERMINING TO ENTER INTO A LEASE AGREEMENT WITH JP MORGAN CHASE BANK, N.A. RELATED TO THE PURCHASE OF CERTAIN HVAC EQUIPMENT, APPROVING AGREEMENTS AND OTHER DOCUMENTS RELATED THERETO, AND DECLARING ITS OFFICIAL INTENT TO REIMBURSE ITSELF FOR EXPENDITURES"

III. ALTERNATIVES

TAKE any other action the City Council deems appropriate.

IV. BACKGROUND

On November 17, 2020, the City Council approved a design-build agreement between TRANE U.S. INC and the City of Carson concerning new air filtration and HVAC systems at the City Hall and the Community Center in response to emergency action authorized during the August 4, 2020 City Council meeting. Staff issued a Request for Proposals (RFP No. 20-33) to solicit tax-exempt lease purchase financing to support the City's HVAC improvement project. After review of the six submissions received, on December 21, 2020 the City sent a Notice of Intent to Award to JP Morgan Chase. The Lease purchase documentation was provided by JP Morgan and negotiated to the satisfaction of the City's Finance Director and the City Attorney's office.

The total project financing is \$6 million, to be funded into an escrow account in the City's name on January 29, 2021. The implementation of the project shall take place over an estimated 12 month period through the City's selected contractor, Trane Technologies. As portions of the project are completed, the City shall disburse funds to the contractor directly and thereafter request a reimbursement from the City's escrow funds. The City's first payment under the lease purchase shall be due on January 29, 2022 and final payment on January 29, 2031. Staff will work closely to coordinate all phases of the financing with JP Morgan Chase.

Tax-Exempt Fixed Interest Rate:

Upon the City Council approval of Resolution No. 21-008, the final tax-exempt, fixed interest rate shall be confirmed. Based on the 5-year Interest Rate Swap ("Index Rate"), the interest rate shall be calculated based on the following formula, as proposed: (IR Swap x 79%) + 1.1979%. Interest rate shall be fixed for the full 10 year lease term.

V. FISCAL IMPACT

Pending the City Council approval, the City will enter into a tax-exempt Lease-Purchase Agreement with JP Morgan Chase in the principal amount of \$6 million. The financing will provide positive savings to the City's General Fund.

VI. EXHIBITS

1. Resolution No. 21-008 (Pgs. 3-9)
2. Equipment Financing Documents (Pgs. 10-52)

Prepared by: Tarik Rahmani, Finance Director