

Resolution No.

STOCKTON CITY COUNCIL

A RESOLUTION APPROVING INTERFUND LOANS, INCLUDING A LOAN IN THE AMOUNT OF \$8,915,000.00 BETWEEN THE INTERNAL SERVICE FUND – WORKERS’ COMPENSATION FUND (551) AND THE PARKING AUTHORITY FUND (418) AND THREE LOANS TOTALING \$3,482,422.69 BETWEEN THE INTERNAL SERVICE FUND- WORKERS’ COMPENSATION FUND (551) AND THE INTERNAL SERVICE FUND-FLEET FUND (501); AND APPROVING A SINGLE LEASE TRANSACTION WITH THE STOCKTON PUBLIC FINANCING AUTHORITY TO FACILITATE THIS TRANSACTION

It is in the best interest of the City to engage in interfund borrowing through a lease transaction with the Stockton Public Finance Authority pursuant to City Council Interfund Loan Policy 17.01.020 to reduce borrowing costs for existing debt related to the Stewart-Eberhardt Building located at 22 East Weber Avenue and adjacent public parking facility located at 15 North El Dorado Street, and three separate leases to finance the acquisition of Fire Trucks, Ladder Trucks, and an Emergency Rescue Vehicle; and

Stewart-Eberhardt Building and Parking structure:

The existing 2006 Lease Revenue Refunding Bonds Series A were issued in the amount of \$13,965,000.00 in March 2006. The Bonds were issued to finance the acquisition and construction of the Stewart-Eberhardt Building and the adjacent parking structure. The current source for repayment of these bonds is from Parking Authority Fund revenues; and

The Fiscal Year (FY) 2018-19 budget includes refinancing of the bonds through an interfund loan from the Workers’ Compensation internal service fund (551) reserves for workers whose compensation claims are projected to be paid more than ten years in the future. The interfund loan in the amount of **\$8,915,000.00** will pay off the existing 2006 Lease Revenue Refunding Bonds Series A, which carry rates at, or in excess of, 4.0% on the remaining maturities; and

The Parking Authority Fund (418) will repay the interfund loan by making scheduled payments to the Workers’ Compensation internal service fund, with the loan balance carrying a 2.0% rate of interest (which is sufficient to make the Workers’ Compensation internal service fund whole because that rate reflects the yield historically earned on the City’s investment of fund balances); and

All payment obligations provided for here are subordinate to any obligations arising from any applicable bankruptcy-related settlement agreements; and

This interfund loan will result in significant savings to the Parking Authority fund through the reduction in interest expense. The loan payment schedule is adopted as shown in Exhibit A-1; and

Fire Emergency Vehicle Capital Leases:

On April 17, 2007, the City Council approved the execution of a Master Equipment Lease agreement with Banc of America Leasing and Capital, LLC to provide a tax-exempt funding mechanism for designated capital projects and equipment purchases; and

The City authorized the purchase of an aerial fire truck and water rescue vehicle for the Fire Department in the amount of \$1,000,000.00. The FY 2018-19 budget includes prepayment of this lease through an interfund loan from the Workers' Compensation Fund (551). The interfund loan in the amount of **\$324,952.76** will pay off the existing lease, which carries a 3.86% interest rate; and

This refunding is estimated to have over \$3,800.00 in annual savings through FY 2022-23. The loan will carry an annual interest rate of 2.0%, will be paid from the Fleet Internal Services Fund (501) and the payment schedule is adopted as shown in Exhibit A-2; and

On May 19, 2015, the City Council authorized the purchase of three Fire Engines and one Ladder Truck partially financed through a capital lease agreement with Western Alliance Bank; and

The FY 2018-19 budget includes prepayment of this lease through an interfund loan from the Workers' Compensation Fund (551). The interfund loan in the amount of **\$1,542,700.00** will pay off the existing lease, which carries a 3.90% percent interest rate; and

This refunding is estimated to have over \$15,500.00 in annual savings through FY 2025-26. The Loan will carry an annual interest rate of 2.0%, will be paid from the Fleet Internal Services Fund (501) and the payment schedule is adopted as shown in Exhibit A-3; and

On February 7, 2017, the City Council authorized the purchase of two Fire Engines and one Ladder Truck, partially financed by entering into a capital lease agreement with Western Alliance Bank; and

The FY 2018-19 budget includes prepayment of this lease through an interfund loan from the Workers' Compensation Fund (551). The interfund loan in the amount of **\$1,614,769.63** will pay off the existing lease, which carries a 4.14% interest rate; and

This refunding is estimated to have over \$19,750.00 annual savings through FY 2026-27. The Loan will carry an annual interest rate of 2.0%, be paid from the Fleet Internal Services Fund (501), and the payment schedule is adopted as shown in Exhibit A-4; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. The loans detailed above are approved.
2. The lease transaction with the Stockton Public Financing Authority is approved, and the City Manager is authorized to execute the documents necessary to carry out this transaction, substantially in the forms attached hereto as Exhibits 1, 2, and 3.
3. The City Manager is authorized to take such actions as are necessary and appropriate to carry out the loans, including the execution of any required documents, the completion of any necessary payments or fund transfers and the payment of any reasonable associated expenses.

PASSED, APPROVED, and ADOPTED June 5, 2018.

MICHAEL D. TUBBS, Mayor
of the City of Stockton

ATTEST:

BRET HUNTER, CMC
City Clerk of the City of Stockton