

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
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Agenda Number:
Prepared on: 5/9/06
Department Name: General Services
Department No.: 063
Agenda Date: May 23, 2006
Placement: Administrative
Estimate Time: N/A
Continued Item: No
If Yes, date from:

TO: Board of Supervisors

FROM: Bob Nisbet, Director (560-1011)
General Services Department

STAFF CONTACT: Luci Rogers, Assistant Director, Financial Services (568-2628)
General Services Department

SUBJECT: Financing of Copy Machines
All Supervisorial Districts

Recommendations:

That the Board of Supervisors:

- a) Approve a capital lease financing agreement with Bank of America Leasing & Capital, LLC in an amount not to exceed \$2.5 million, payable over 5 years, to replace and upgrade office copiers for all county offices and high speed production copiers for the reprographics office;
- b) Direct the County Treasurer – Tax Collector, County Auditor – Controller, County Counsel, and General Services to proceed with all necessary actions required to negotiate, execute and deliver the Master Equipment Lease/Purchase Agreement and the Schedules hereunder and all future Schedule(s) by and between Lessee and Bank of America Leasing & Capital, LLC (see Attachment A);
- c) Direct the County Treasurer – Tax Collector, County Auditor – Controller, County Counsel, and General Services to proceed with all necessary actions required to negotiate, execute and deliver the Acquisition Fund and Account Control Agreement (see Attachment B) to effectuate receipt and disbursement of funds pertaining to the Master Equipment Lease/Purchase Agreement;
- d) Authorize the County Treasurer – Tax Collector, in consultation with the Debt Advisory Committee, to abandon the Lease/Purchase Agreement if market conditions are deemed to have become financially unfavorable.

Alignment with Board Strategic Plan:

The recommendations are primarily aligned with Goal No. 1: An Efficient Government able to Anticipate and Respond Effectively to the Needs of the Community.

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Executive Summary and Discussion:

Office Copiers

The County has been leasing office copier/printers from Coastal Copy, A Local Vendor, since 2001 through an operating lease arrangement with GE Capital. The 5 year lease term has expired and the equipment cannot be bought out at favorable terms. Since the County does not own this equipment, the 276 machines must now be replaced. Approximately 25 million copies are produced by these machines each year. In January of this year, the Purchasing Division prepared a bid for the replacement of the office copier/printers. Eleven vendors submitted bids. The contract was awarded to Coastal Copy, a local vendor.

It has been the practice of the County for some time to lease rather than own office copier/printers and replace them after five years. However, staff recommended to the DAC that the replacement equipment now be purchased through a 5 year capital lease arrangement due to the lower financing cost and the flexibility that can be obtained by owning the equipment at the end of the lease term.

The DAC has considered and concurs with staff's recommendation that the County place the capital lease through Bank of America at a significantly lower total cost than the vendor's and GE Capital's operating lease terms. The total amount financed will be approximately \$2.0 million. The exact amount will not be known until each department selects the equipment that best meets their needs and budget.

High Speed Copiers

The copiers & micro press in the reprographics facility have also been leased for the past 5 years and the lease term has now expired. The County does not own this equipment, nor could it buy out the lease at favorable terms. We produce approximately 25 million impressions per year on these machines also. It is also necessary to improve the color imaging available in the shop. The Purchasing Division put the replacement of this equipment out for bid. The bid award for the black & white copiers went to Konica-Minolta, not a local vendor; the bid award for the color copiers went to Xerox, a local vendor.

It was determined that this equipment should be purchased through a capital lease as well, due to the flexibility and lower cost that owning the equipment outright provides.

The DAC has determined that the County could finance the capital lease for this equipment through Bank of America, under the same financing arrangement as with the officer copier/printers discussed above, at a significantly lower total cost than with financing terms of the vendor. The total amount financed for these copiers is approximately \$290,000.

Mandates and Service Levels:

No change in service levels. Improved copy quality and increased scanning capabilities are anticipated as a result of this purchase.

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Fiscal and Facilities Impacts:

Each department has funds budgeted to pay for copiers on a lease-purchase basis. These funds will be used to retire the debt for the office copiers. It is anticipated that most departments will be paying less for the new equipment than they were paying under the old lease. In addition, the departments will own the equipment at the end of the lease term and will be able to continue to use them beyond the 5 year period should they choose to do so.

The amount that Reprographics will pay for the replacement equipment is approximately \$100,000 less per year than under the previous arrangement. The rates charged to reprographic users will be sufficient to cover the annual cost of the equipment plus an amount to build up replacement cost reserves.

Bank of America Leasing & Capital, LLC offered the most competitive financing rate to the County. The terms of the capital lease financing are at a tax-exempt rate of 3.96%, for a period of five years, with ten semi-annual lease payments of \$244,662 each, in arrears. (See Attachments C and D)

The financing of the reprographics and county-wide copier equipment with Bank of America will save the County approximately \$62,214 and \$32,724, respectively, for a total of \$94,938. Since the Bank of America financing is a capital lease where the County would own the equipment at the end of the five year term, the County will also have the flexibility of using the equipment beyond five years, or to dispose of it for an estimated amount of \$200,000 - \$360,000.

A budget revision for the proceeds of this debt will be prepared prior to the receipt of proceeds.

Concurrences:

Debt Advisory Committee

Attachments:

- Attachment A: Master Equipment Lease/Purchase Agreement
- Attachment B: Acquisition Fund and Account Control Agreement
- Attachment C: Summary of Terms and Conditions with Forward Rate Lock
- Attachment D: Amortization Schedule