



**City of Lodi
Electric Utility**

Request for Proposals (RFP)
Financing of LED Streetlight Improvement Project

The City of Lodi (City) is soliciting term sheet proposals in connection with the financing of the acquisition and installation of energy efficient Light Emitting Diode (LED) light fixtures in approximately 5,300 Cobra head streetlights Citywide.

All proposals should be delivered by e-mail by **5:00 pm on July 7, 2015** to the following City officials:

Jordan Ayers, Deputy City Manager/Internal Services Director

jayers@lodi.gov

Elizabeth Kirkley, Electric Utility Director

ekirkley@lodi.gov

Jay Marchesseault, Engineering & Operations Manager

jmarchesseault@lodi.gov

Melissa Price-Cadek, Rates & Resources Manager

mcadek@lodi.gov

Please contact Jordan Ayers at (209) 333-2652 for questions regarding this RFP.

GENERAL INFORMATION

The City is proposing to incur approximately \$1.5 million in debt to finance the conversion of approximately 5,300 high pressure sodium cobra head City streetlights to equivalent LED streetlights.

The City has selected a proposal submitted by a team led by Tanko Lighting to undertake the proposed project. The City anticipates entering into a contract for this project with Tanko Lighting for installation, material and documentation in the amount of approximately \$1.5 million, including project contingencies. A copy of the proposed contract with Tanko Lighting is attached.

The City's streetlight system has long been funded and maintained by the City's Electric Utility. The financing described herein will be secured by the proposed streetlight equipment with annual debt service payments to be paid from Electric Utility revenues, specifically by proceeds received by the Electric Utility as a result of consigning freely allocated Greenhouse Gas (GHG) allowances through the State of California Cap and Trade Program. The Electric Utility has sufficient GHG revenues to fund the anticipated debt service payments associated with the proposed project.

EXPENSES

Any expenses incurred in responding to this RFP will be the sole responsibility of the respondent and not of the City. The City reserves the right to waive any irregularity in any proposal; reject any or all proposals; cancel, modify or re-issue this request; negotiate with any, all or none of the respondents; and solicit best and final offers from any, all or none of the respondents. In addition, this request does

not commit the City to complete the transaction with any of the firms responding to this request. The City reserves the right not to proceed with this transaction.

TERM SHEET PROPOSAL REQUIREMENTS

Please provide:

- (1) Name of the firm and its key contact person, including title, address, telephone number and e-mail address;
- (2) A narrative description of your firm's experience as a lender in California and nationally and specifically as a lender for streetlight improvements;
- (3) A proposed term sheet (using the attached form) including, in addition to the information below, any other information you believe to be relevant to the City in its consideration of your proposal; and
- (4) A copy of all documents the City will be expected to execute in association with the proposed financing.

PAR AMOUNT AND PURPOSE

The purpose of this transaction is to finance the acquisition and installation of LED streetlight fixtures in approximately 5,300 Cobra head streetlights and all costs of issuance. Any financing structure proposed shall be in accordance with the City's attached Debt Management Policy.

SECURITY

The financing described herein will be secured by the proposed streetlight equipment with annual debt service payments to be paid from Electric Utility revenues.

PRE-PAYMENT

The City prefers to have the right to prepay the agreement at any time during the term of the agreement without premium or penalty. Any proposed pre-payment penalties or premiums must be clearly identified on the proposed term sheet.

TERM

The City is seeking a term based on the shortest period possible consistent with a fair allocation of costs to current and future beneficiaries of the proposed improvements. However, said period shall not exceed 10 years.

DEBT SERVICE STRUCTURE

The City is seeking to pay level annual debt service, with payments made no more than twice per fiscal year.

INTEREST

The proposed interest rate shall be fixed for the entire period of the proposed financing and will include all financing costs. A payment schedule must be submitted with your proposal.

DEBT SERVICE RESERVE FUND

The City does not plan to fund a debt service reserve fund.

COSTS OF ISSUANCE

The City anticipates funding any costs of issuance out of proceeds.

CLOSING COSTS AND FEES

Please specify your closing costs and/or fees, if any, which will be reimbursed by the City, including the fees and expenses of your legal counsel. The City will pay all costs and fees associated with the financing from proceeds of the financing.

INSURANCE

The City will meet any insurance requirements through its self-insurance program.

RATING

The City is not planning to seek a rating for the proposed financing, or provide an official statement and/or disclosure document. Current City ratings are as follows: S&P: A/Stable, Fitch: AA-/Stable. Current Electric Utility ratings are as follows: S&P: A-/Stable, Moody's: A2/Stable, Fitch: A-/Stable.

Additional information regarding the City's latest Comprehensive Annual Financial Reports (including Electric Utility financial and Annual Disclosure information) is listed below under "Additional Information."

ADDITIONAL INFORMATION

The City's Comprehensive Annual Financial Report (CAFR) (including Electric Utility financial and Annual Disclosure information) for the Fiscal Year ended June 30, 2014 can be found at:

<http://www.lodi.gov/finance/financials.html>.

ATTACHMENTS

Term Sheet

Tanko Lighting Proposed Contract

City of Lodi Debt Management Policy

**City of Lodi
Electric Utility**

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TERM SHEET (2 of 2)

Firm Name: _____

Payment Term: _____ Years Frequency of Payments: _____

Fixed Annual Rate: _____ %

ATTACH PROPOSED DEBT SERVICE/PAYMENT SCHEDULE TO TERM SHEET

Costs of Issuance: \$_____ (if any, please describe below)

Closing Costs/Other Fees: \$_____ (if any, please describe below)

Pre-Payment Penalty or Premium: \$_____ (if any, please describe below)

Please provide any additional information relevant for City's consideration of your proposal. Ensure all proposed financing documents to be executed by the City are included with your submission.

SECTION 4

Supply and Installation of LED Street Light Luminaires(Cobra Head) CONTRACT

CITY OF LODI, CALIFORNIA

THIS CONTRACT made by and between the CITY OF LODI, State of California, herein referred to as the "City," and Tanko Lighting, herein referred to as the "Contractor."

WITNESSETH:

That the parties hereto have mutually covenanted and agreed, and by these presents do covenant and agree with each other, as follows:

The complete Contract consists of the following documents which are incorporated herein by this reference, to-wit:

Notice Inviting Bids	The July 1992 Edition,
Information to Bidders	Standard Specifications,
General Provisions	State of California,
Special Provisions	Business and Transportation Agency,
Bid Proposal	Department of Transportation
Contract	
Contract Bonds	
Plans	

All of the above documents, sometimes hereinafter referred to as the "Contract Documents," are intended to cooperate so that any work called for in one and not mentioned in the other is to be executed the same as if mentioned in all said documents.

ARTICLE I - That for and in consideration of the payments and agreements hereinafter mentioned, to be made and performed by the City and under the condition expressed in the two bonds bearing even date with these presents and hereunto annexed, the Contractor agrees with the City, at Contractor's cost and expense, to do all the work and furnish all the materials except such as are mentioned in the specifications to be furnished by the City, necessary to construct and complete in a good workmanlike and substantial manner and to the satisfaction of the City the proposed improvements as shown and described in the Contract Documents which are hereby made a part of the Contract.

ARTICLE II - The City hereby promises and agrees with the Contractor to employ, and does hereby employ, the Contractor to provide all materials and services not supplied by the City and to do the work according to the terms and conditions for the price herein, and hereby contracts to pay the same as set forth in Section 5.600, "Measurement, Acceptance and Payment," of the General Provisions, in the manner and upon the conditions above set forth; and the said parties for themselves, their heirs, executors, administrators, successors and assigns, do hereby agree to the full performance of the covenants herein contained.

ARTICLE III - The Contractor agrees to conform to the provisions of Chapter 1, Part 7, Division 2 of the Labor Code. The Contractor and any Subcontractor will pay the general prevailing wage rate and other employer payments for health and welfare,

pension, vacation, travel time, and subsistence pay, apprenticeship or other training programs. The responsibility for compliance with these Labor Code requirements is on the prime contractor.

ARTICLE IV - And the Contractor agrees to receive and accept the following prices as full compensation for furnishing all materials and for doing all the work contemplated and embraced in this agreement; also for all loss or damage arising out of the nature of the work aforesaid or from the action of the elements, or from any unforeseen difficulties or obstructions which may arise or be encountered in the prosecution of the work until its acceptance by the City, and for all risks of every description connected with the work; also for all expenses incurred by or in consequence of the suspension or discontinuance of work and for well and faithfully completing the work, and the whole thereof, in the manner and according to the Plans and Contract Documents and the requirements of the Engineer under them, to-wit:

Perform the work necessary to to replace existing high pressure sodium (HPS) luminaires on cobra head street light poles with new energy efficient light emitting diode (LED) street lighting luminaires within the City limits and other incidental and related work, all as shown on the plans and specifications for the above project all as shown on the plans and specifications for the above project.

CONTRACT ITEMS

Item #	Description	Est'd Unit Qty	Unit Price	Total Price
1	70W HPS Cobra Head Replacement – 30W GE ERX1 Series LED	78	\$214.00	\$16,692.00
2	100W HPS Cobra Head Replacement – 51W GE ERX1 Series LED	4,052	\$226.00	\$915,752.00
3	175W MV Cobra Head Replacement – 98W GE ERX1 Series LED	20	\$275.25	\$5,505.00
4	250W HPS Cobra Head Replacement – 118W GE ERX1 Series LED	1,137	\$296.25	\$336,836.25
5	400W MV Cobra Head Replacement – 118W GE ERS2 Series LED	2	\$393.25	\$786.50

TOTAL \$1,275,571.75

ARTICLE V - By my signature hereunder, as Contractor, I certify that I am aware of the provisions of Section 3700 of the Labor Code, which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

ARTICLE VI - It is further expressly agreed by and between the parties hereto that, should there be any conflict between the terms of this instrument and the Bid Proposal of the Contractor, then this instrument shall control and nothing herein shall be considered as an acceptance of the said terms of said proposal conflicting herewith.

ARTICLE VII - The City is to furnish the necessary rights-of-way and easements and to establish lines and grades for the work as specified under the Special Provisions. All labor or materials not mentioned specifically as being done by the City will be supplied by the Contractor to accomplish the work as outlined in the specifications.

ARTICLE VIII - The Contractor agrees to commence work pursuant to this contract within 15 calendar days after the City Manager has executed the contract and to diligently prosecute to completion to a schedule as agreed upon between both parties.

ARTICLE IX – State of California Senate Bill 854 requires the following:

- No contractor or subcontractor may be listed on a bid proposal for a public works project (submitted on or after March 1, 2015) unless registered with the Department of Industrial Relations pursuant to Labor Code section 1725.5 [with limited exceptions from this requirement for bid purposes only under Labor Code section 1771.1(a)].
- No contractor or subcontractor may be awarded a contract for public work on a public works project (awarded on or after April 1, 2015) unless registered with the Department of Industrial Relations pursuant to Labor Code section 1725.5
- This project is subject to compliance monitoring and enforcement by the Department of Industrial Relations.

WHEN SIGNING THIS CONTRACT, THE CONTRACTOR AGREES THAT THE TIME OF COMPLETION FOR THIS CONTRACT IS REASONABLE AND THE CONTRACTOR AGREES TO PAY THE CITY LIQUIDATED DAMAGES AS SET FORTH IN SECTION 6-04.03 OF THE SPECIAL PROVISIONS. CONTRACTOR AGREES THAT THIS AMOUNT MAY BE DEDUCTED FROM THE AMOUNT DUE THE CONTRACTOR UNDER THE CONTRACT.

IN WITNESS WHEREOF, the parties to these presents have hereunto set their hands the year and date written below.

CONTRACTOR:

_____ Tanko Lighting _____

By: _____

_____ Title _____

(CORPORATE SEAL)

CITY OF LODI

By: _____
Stephen Schwabauer
City Manager

Date: _____

Attest

Jennifer M. Ferraiolo
City Clerk

Approved As To Form

Janice D. Magdich
City Attorney 

City of Lodi

Debt Management Policy

Adopted November 7, 2012

Section 1 – Introduction

The purpose of this Debt Management Policy (Policy) is to establish guidelines for the issuance and management of the City's debt. While the City prefers to **finance** projects on a pay-as-you-go basis, in the event debt is necessary, this Policy confirms the commitment of the Council, management, staff, advisors and other decision makers to adhere to sound financial management practices, including full and timely repayment of borrowings, achieving the lowest possible cost of capital within prudent risk parameters.

Priorities of the Policy are:

1. Achieve the lowest cost of capital;
2. Maintain a prudent level of financial **risk**;
3. Preserve future financial flexibility;
4. Maintain full and complete financial disclosure and reporting;
5. Obtain highest practical credit ratings and good investor relations; and
6. Ensure compliance with state and federal laws and regulations.

The Policy shall govern, except as otherwise covered by the Investment Policy, the issuance and management of all debt and lease financings funded from the capital markets (including private placement and bank loans), including the selection and management of related financial services and products and investment of bond and lease proceeds. While adherence to this policy is required in applicable circumstances, it is recognized that changes in the capital markets, agency programs and other unforeseen circumstances may from time to time produce situations that are not covered by this policy and will require modifications or exceptions to achieve policy goals. In these cases, management flexibility is appropriate, provided specific authorization from the City Manager and the City Council is obtained.

Section 2 - Responsibilities

The City's debt program for all City funds shall be operated in conformance with applicable federal, state and other legal requirements, including the Lodi Municipal Code.

Responsibility for managing and coordinating all activities related to the structure, issuance and administration of all long- and short-term debt obligations shall rest with the Deputy City Manager/Internal Services Director.

No debt obligations shall be presented to the City Council for their authorization without the joint assessment and recommendation of the City Manager, Deputy City Manager/Internal Services Director and the City Attorney. Departments planning debt-financed capital programs or equipment acquisitions shall work closely with the City Manager, Deputy City Manager/Internal Services Director and City Attorney to provide information and otherwise to facilitate the issuance and on-going administration of debt.

The Deputy City Manager/Internal Services Director shall be responsible for maintaining good communication with rating agencies, investors and other debt related service providers about the City's financial condition and will follow a policy of full disclosure.

The Deputy City Manager/Internal Services Director shall conduct an annual review of this Policy and bring forward to the City Council any amendments deemed necessary and appropriate.

Section 3 – Debt Considerations

The City will evaluate the need for debt financing a project compared to a pay-as-you-go financing methodology. The City prefers to fund projects on a pay-as-you-go basis.

- A. Factors favoring a pay-as-you-go methodology include:
 - a. Current projected revenues and fund balances available are sufficient to fund the project,
 - b. Long-term total costs are lower due to the avoidance of interest expense.
 - c. Existing debt capacity is insufficient to absorb the additional debt without adverse impact to credit ratings.
 - d. Market conditions are unfavorable or present difficulties in marketing.

- B. Factors favoring debt financing include:
 - a. Current and projected revenues available for debt service are sufficient and reliable so that financings can be marketed with investment grade credit ratings.
 - b. Market conditions present favorable interest rates and demand for the City financings.
 - c. A project is mandated by state or federal requirements, and current resources are insufficient or unavailable to fully fund the project.
 - d. The project is immediately required to meet or relieve capacity needs or emergency conditions and current resources are insufficient or unavailable.

Section 4 – Debt Term

The City Council recognizes that any new debt obligation will have an impact on the long-term affordability of all outstanding debt and any future planned debt, as well as budgetary impacts associated with the maintenance and operating costs of debt-financed facilities.

- A. Term of Debt – Debt will be structured for the shortest period possible, consistent with a fair allocation of costs to current and future beneficiaries or users. Debt shall not be issued for a term that exceeds the useful life of the debt-financed asset.

- B. Debt Repayment – Typically, the City desires level debt service payments over the term of the debt. However, the cost of capital, financial risk, current economic conditions, future financial flexibility, credit ratings and available cash flow will be evaluated to determine the most appropriate method of debt amortization for each debt issue. Notwithstanding the above, back loading of debt service will be evaluated as the circumstances dictate. Back loading occurs when debt service payments are lower in the initial years of a debt term and higher toward the later years of a debt term.

Section 5 - Debt Issuance

The City has the capacity to issue long- and short-term debt and to refund any outstanding debt. The following section details the purposes of debt issuance, the method of sale for such debt and the practices for obtaining professional assistance in the debt issuance process.

- A. Long-term Debt – Long-term debt may be used to finance the acquisition or improvement of land, infrastructure, facilities, or equipment for which it is appropriate to spread the costs of such over more than one budget year. Long-term debt may be used to fund capitalized interest, cost of issuance, required reserves and any other financing related costs that may be legally capitalized. Long-term debt shall not be used to fund City operating costs.
- B. Short-term Debt - Short-term debt will be considered as an interim source of funding in anticipation of long-term debt. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and financing-related costs.

Short-term debt is also appropriate to address legitimate short-term cash flow requirements during a given fiscal year to fund the operating costs of the City to provide necessary public services. The City will not engage in short-term borrowing solely for the purpose of generating investment income.

- C. Refunding - Refunding opportunities will be identified by periodic reviews of outstanding debt obligations. Refunding will be considered when there is a net economic benefit from the refunding. Non-economic refunding may be undertaken to achieve City objectives relating to changes in covenants, call provisions, operational flexibility, tax status, issuer, or other non-economic factors related to the debt.
- D. Method of Sale – Debt is typically issued under either a competitive sale or a negotiated sale. The City shall have the flexibility to determine which method of sale is appropriate for each debt issuance. Determination of the appropriate method of sale will rest collectively with the City Manager, Deputy City Manager/Internal Services and City Attorney.

- E. Private Placement - The City may determine that private placement of debt is most appropriate. Use of private placement will be considered collectively by the City Manager, Deputy City Manager/Internal Services and City Attorney.
- F. Pooled Financing – The City may also consider use of pooled financing **as** a method of accessing the capital markets. Use of pooled financing will be evaluated collectively by the City Manager, Deputy City Manager/Internal Services and City Attorney on a case-by-case basis.
- G. Selection of Financing Professionals – Selection of financing professionals (financial advisor, underwriter, bond counsel, disclosure counsel, trustee, etc.) shall generally be on a competitive basis; however, the City Manager is authorized to select financing professionals on a sole source basis. Selection shall balance service (experience, professional reputation and capabilities) with costs. Once selected, the Financial Advisor may assist the City **with** selecting the rest of the members of the financing team.

Section 6 – Debt Structure

- A. Credit Ratings - The City seeks to obtain **and maintain** the highest possible credit ratings when issuing debt. The City will **seek** credit ratings from at least one of the three major ratings agencies on all debt, as appropriate. Ratings **from** multiple rating agencies may be sought for a single debt issue; based upon the market conditions at the time of the issuance.
- B. Fixed-rate and Variable-rate Debt - The City prefers to issue fixed-rate debt. Variable-rate debt may be used, **if** market conditions warrant at the time of issuance. It is acknowledged that variable-rate debt passes an unknown obligation onto future budget cycles.
- C. Derivatives - Derivative products may have application **with** regard to certain City borrowing programs. The City Manager, Deputy City Manager/Internal Services Director and City Attorney will evaluate the use of derivative products on a case-by-case basis.
- D. Call Provisions – The **timing** for when bonds are callable varies and is determined at the time of pricing such bonds. The City's preferred structure is to negotiate for optional redemption at **par** in order to maintain flexibility in the future.
- E. Credit Enhancements – The City may use credit enhancements (letters of credit, bond insurance, surety bonds, etc.) when such credit enhancements prove to be cost-effective. The City will consider the use of credit enhancements on a case-by-case basis.

Section 7 - Interfund Borrowings

The **City** may borrow internally from other funds with temporary cash surpluses to meet short-term cash needs in lieu of issuing debt. The fund(s) **from** which the money is borrowed shall be repaid with interest at the average earnings rate of the City investment pool.

Section 8 - Debt Administration

The Deputy City Manager/Internal Services Director shall **be** responsible for administering the City's debt management program, To that end, this position shall:

- A. Comply ~~with~~ all reporting requirements ~~within~~ **the** bond documents.
- B. Review all outstanding debt for refunding opportunities.
- C. Maintain positive working relationships with rating agencies and other financial professionals.
- D. Review and recommend appropriate structures for all new debt issuances.
- E. Ensure compliance with the Investment Policy and bond documents regarding investing bond proceeds.