

City of Lodi

Request for Proposals (RFP) Financing of Fire Engine

The City of Lodi (City) is soliciting term sheet proposals in connection with the financing of a Fire Engine.

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

Jordan Ayers, Deputy City Manager/Internal Services Director jayers@lodi.gov

Anne Poggio, Management Analyst apoggio@lodi.gov

Larry Rooney, Fire Chief lrooney@lodi.gov

Please contact Jordan Ayers at (209) 333-6700 for questions regarding this RFP.

GENERAL INFORMATION

The City is proposing to purchase a Hi-Tech/Spartan Gladiator Fire Engine under a competitively bid contract in the amount of approximately \$466,000 and seeks financing proposals for this purchase. A copy of the proposal from Hi-Tech is attached.

The City's Fire service is funded by the City's General Fund. The financing described herein will be secured by the equipment and General Fund revenue streams.

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 with regard to municipal vehicle financing;

- (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 of a Hi-Tech /Spartan Gladiator Fire engine. 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 equipment with annual debt service payments to be paid from General Fund 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 useful life of the equipment. However, said period shall not exceed 7 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.

Additional information regarding the City's latest Comprehensive Annual Financial Reports is listed below under "Additional Information."

ADDITIONAL INFORMATION

The City's Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2014 can be found at: <http://www.lodi.gov/finance/financials.html>.

ATTACHMENTS

Term Sheet

Hi-Tech Proposal

City of Lodi Debt Management Policy

City of Lodi

Request for Proposals (RFP)
Financing of Fire Engine

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.

HI-TECH EMERGENCY VEHICLE SERVICE, INC.



444 W. GREGER ST. • OAKDALE, CA 95361 • (209) 847-3042 • FAX (209) 847-2110

www.hitechevs.com

www.spartanerv.com

www.evi-fl.com

San Jose F.D. Type-1 Tag-On Proposal

San Jose RFB 12-13-44

For

Lodi Fire Department

Lodi, California

July 2, 2015

**ONE HI-TECH/SPARTAN GLADIATOR LFD,
10" RAISED ROOF, 450HP, 1500 GPM TYPE I PUMPER**

- | | | |
|----|---------------------------------------------------------------|---------------|
| 1. | Apparatus Cost, Per Lodi Fire Department Specifications | \$ 431,171.00 |
| 2. | Sales Tax @ 8.0% | \$ +34,493.68 |
| 3. | Grand Total | \$ 465,664.68 |

* Plus any additional Federal, State, or Local fee, tax, or mandated safety and emission equipment applicable at time of delivery.

Delivery = Approximately 365 Days After Receipt Of Order Documentation

Brian Ruthman

Brian Ruthman

7-6-15

Date

Accepted By – Title

Date

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 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.

The City will review debt limits in conjunction with any proposed financing.

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. Interfund borrowing extending for more than one year will be brought to Council for approval.

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