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**OFFICE OF THE  
CITY TREASURER**

THOMAS P. FRIERY  
TREASURER

MICHAEL L. MEDEMA  
ASSISTANT TREASURER

DONALD E. SPERLING  
DEPUTY TREASURER/OPERATIONS

DAVID M. AFFLECK  
DEPUTY TREASURER/FINANCING

**CITY OF SACRAMENTO  
CALIFORNIA**

926 J STREET  
SUITE 300  
SACRAMENTO, CA  
95814-2709

PH 916-449-5168  
FAX 916-448-3139

December 9, 1991  
F00445TF.DCB

AG 91-258  
APPROVED  
BY THE CITY COUNCIL  
DEC 17 1991  
OFFICE OF THE  
CITY CLERK

City Council  
Sacramento, California

HONORABLE MEMBERS IN SESSION:

**SUBJECT: RESOLUTION APPROVING LEASE FINANCING FOR CENTREX  
TELEPHONE SERVICES**

LOCATION

City-wide

SUMMARY

The City Treasurer has examined financing alternatives to provide \$1,660,512 for Centrex telephone services. It is recommended that the City enter into a five-year lease agreement with Fiscal Funding Company, Incorporated to finance the services. The lease agreement will carry a 7.25% borrowing rate and will be paid in semi-annual installments.

COMMITTEE ACTION

None.

STAFF RECOMMENDATION

It is recommended that Council approve the attached resolution authorizing the City Manager to execute Delivery Order No. 5 and other necessary documents to secure lease financing with Fiscal Funding Company, Inc. for the purpose of entering into a five-year agreement with Pacific Bell for Centrex services.

BACKGROUND INFORMATION

On October 1, 1991 the City Council approved a five-year agreement with Pacific Bell for Centrex services. The Centrex services will include a line rate guarantee for the base 2,022 Centrex lines and for each new additional line. In the event that Tariffed Rates are reduced below the line guaranteed rate the City will be adjusted accordingly. The General Services Department has estimated that the net five-year savings to the City will be approximately \$374,207 after providing for the cost of financing of the prepayment.

City Council adopted Resolution #91-765 authorizing and directing the City Manager to enter into a five-year agreement with Pacific Bell for Centrex services for the period December 16, 1991 thru December 15, 1996. The City Manager was to provide for the prepayment of \$1,660,512 for the five-year line costs and to provide for the annual debt service payment in the annual operating budget. The City Treasurer was directed to provide a financing vehicle for the \$1,660,512.

The Treasurer's Office recommends entering into a lease agreement with Fiscal Funding Co., Inc. to finance the prepayment of services. The agreement is structured as a Service Contract Lease at tax-exempt interest rates. The lease will be a lease obligation of the General Fund.

FINANCIAL DATA

The use of a five-year lease directly placed with Fiscal Funding Co., Inc. will produce a net borrowing cost to the City of 7.25%. The financing will be paid in semi-annual installments of \$200,922, with an annual total of \$401,844. In the October 1 Council report, General Services had estimated the annual debt service at \$400,100. The difference between actual and projected is \$1,744.

The Service Contract Lease will be dated December 17, 1991 and the first payment of \$206,273 will be due on July 1, 1992. This first payment includes an extra 15 days of interest. The remaining nine lease payments will be \$200,922 semi-annually. The total financing cost over five years will be \$2,014,571, and the total interest expense will be \$354,059. The lease will be supported by the General Fund.

POLICY CONSIDERATIONS

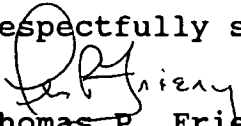
This request is consistent with prior use of financing leases to acquire equipment.

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MBE/WBE

Fiscal Funding Company, Inc. is a wholly-owned leasing affiliate of Grigsby Brandford Powell, a 100% owned and controlled MBE firm.

Respectfully submitted,

  
Thomas P. Friery  
City Treasurer

RECOMMENDATION APPROVED:

  
Walter J. Slipe, City Manager

CONTACT PERSON

David Affleck, Deputy City Treasurer  
449-5168  
After 12/17/91 : 264-5168

FOR COUNCIL MEETING OF

December 17, 1991

RESOLUTION NO. 91-1022

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

APPROVED  
BY THE CITY COUNCIL  
DEC 17 1991  
OFFICE OF THE  
CITY CLERK

RESOLUTION AUTHORIZING A LEASE AGREEMENT WITH  
FISCAL FUNDING COMPANY, INC. FOR CENTREX  
TELEPHONE SERVICES

Whereas, the City of Sacramento ("the City") desires to  
finance a five-year agreement with Pacific Bell for Centrex  
services,

IT IS HEREBY RESOLVED BY THE COUNCIL OF THE CITY OF  
SACRAMENTO THAT:

1. Delivery Order No. 5 shown as Exhibit A and incorporated  
herein by reference is hereby approved.
2. The City Manager is hereby authorized to execute the  
leasing agreement with Fiscal Funding Company, Inc. for  
the lease of Centrex services at a cost of \$1,660,512 and  
to take any and all other actions required to complete  
and close the lease transaction.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

F00447

FOR CITY CLERK USE ONLY

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_