

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

99-570

SYNOPSIS -

AGENDA:

DECEMBER 20, 1999

SUBJECT:

WRA BIOSOLIDS
FACILITY-
CONSTRUCTION
SERVICES
AGREEMENT

An agreement amendment has been negotiated with the professional engineering firm of Metcalf & Eddy (Jekabls Vittando, President, 30 Harvard Mill Square, Wakefield, MA 01880) to provide Professional Engineering Services for Bid and Construction Phase for the Wastewater Reclamation Authority (WRA) Biosolids Facility project. The proposed agreement is on a cost plus fixed fee arrangement. The proposed fee is for an amount not to exceed \$368,078 for actual costs incurred for labor, indirect costs, and other direct costs and a fixed fee of \$46,102.

FISCAL IMPACT -

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

Funding for this project is provided for on page 335 of the 1999-00 Capital Improvements Program (CIP) - Index Code 396366, Additional Personnel and Residuals Facilities - Wastewater Treatment Plant.

RECOMMENDATION -

SUBMITTED BY:

FLOYD BENTZ, P.E.
CITY ENGINEER

Approval.

BACKGROUND -

On October 27, 1997, by Roll Call No. 97-3533, the Council gave approval for the Mayor to execute an agreement with the consultant to design a biosolids storage and processing facility for the wastewater reclamation facility. The facility has been designed and plans and specifications will be sent to Council for approval to advertise for the taking of bids on the project. This agreement with Metcalf & Eddy, Inc., will provide for bidding and construction phase services during the two-year duration of the project. The consultant will be reviewing shop

drawings, making scheduled visits to the project site, reviewing the progress of the project, providing construction record drawings, and assisting City personnel to assure that the construction is in conformance with the plans and specifications. This agreement also includes additional costs incurred by the consultant during the design phase of the project. The City Engineering Department will be providing daily inspection on the project. An agreement for materials testing will be negotiated with a local firm to perform analysis of soils and construction materials. The estimated construction cost for the project is \$10,129,000.

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ITEM ____
OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA

SYNOPSIS -

On November 1, 1999, by Roll Call No.'s 99-3389 and 99-3425, Council approved the selection of Banc (sic) of America Leasing & Capital, LLC (317 6th Avenue, Des Moines; Hugh McColl Jr., Chairman and CEO), as the City's Master Lease Purchase provider for a three year term with two one-year renewal options and set the date of public hearing for the acquisition of two street sweepers by supplement agreement under the master leasing program. On November 15, 1999 by

Roll Call No.'s 99-3541, 99-3542, and 99-3543, Council closed the public hearing, authorized additional action, and approved the execution and delivery of Supplement No. 1 in the principal amount of \$161,000 for the financing of two City street sweepers. The Master Lease Purchase program allows for all City departments to utilize the program under the same terms and conditions, including enterprise funds.

The Des Moines International Airport has several large equipment purchases included within its approved operating budget. One such item, the Airport Rotary Snow Blower, has been competitively bid and is now ready for acquisition which necessitates this financing. On December 7, 1999, by Resolution No. A99-413, the Airport Board recommended approval to Council for utilization of the Master Lease Purchase program to acquire the Airport Rotary Snow Blower from Trans-Iowa Equipment, Inc. (Clear Lake, IA) in the amount of \$359,739. The new snow blower will replace an existing snow blower which is in excess of twenty years old. Timely snow removal from the runways, taxiways, aprons, and roadways is critical to the Airport's ongoing operation. Delivery of the snow blower is not anticipated until February or March of 2000. However, because Airport use of the Master Lease Purchase program is considered revenue debt, Council approval is needed before the final purchase order contract can be issued. Closing on this transaction is anticipated to occur in April 2000.

FISCAL IMPACT -

There is no fiscal impact on the City's General Fund. All cost associated with this financing will be paid by the Airport Enterprise Fund. The cost for each lease-purchase financing is determined based on an interest rate computed as a fixed percentage of the Treasury Note Index. The actual interest rate is set based on the lowest applicable U.S. Treasury security of like maturity as published in the Wall Street Journal at the close of business five business days before the date of the Supplement (*). The Supplement is the document issued under the Master Purchase Lease Agreement for each financing.

Listed below are the applicable U.S. Treasury Rate, the fixed Treasury Note Index, and the estimated Interest Rate as of December 13, 1999 based upon a ten-year lease term. Because of stipulations contained within the Airport's signatory airline agreements, the term of the lease for the Rotary Snow Blower

needs to correspond with the term (10 years) established under the lease for airline rates and charges.

Treasury U.S. Treasury Estimated Interest
Term Note Index Rate - 12/13/99 Rate as of 12/13/99
10 91.08% 6.42% (*) 5.847%

RECOMMENDATION -

Approval.

BACKGROUND -

Lease-purchase financing can allow for more efficient and possibly less cost financing. Lease-purchase financing is often a more practical financing approach than long-term bond financing for the acquisition of equipment because it allows for shorter amortization schedules which match the expected useful lives of the equipment being purchased. Furthermore, lease-purchase financing can be executed for dollar amounts in tens of thousands, while bond financing usually is not cost effective for amounts less than millions. For the Airport Enterprise Fund, lease-purchase financing also allows for a matching of required payments with the corresponding periods under the airline rates and charges and conserves cash reserves for other capital projects and operating needs.

On November 2, 1999, by Resolution No. A99-378, the Board approved the Airport's FY 1999/2000 Revised and FY 2000/2001 Recommended Operating Budgets with modification to approve the usage of the City's Master Lease Purchase Program to acquire the paint striper and snow blower included in the FY 1999/2000 Revised Budget and to add \$75,000 to the appropriate line item in the operating budget to cover lease payments. The funding created by the budget modification was required to provide funding for a Capital Improvement Program (CIP) Project.

Major terms of the Master Lease-Purchase Agreement between the City and Banc of America Leasing & Capital, LLC include:

Contract Term. The contract term between the City and Banc of America will extend for three years with two one-year renewal options. The City (and Airport) will adhere to all terms of the

agreement for maturities extending beyond the term of the agreement.

Non-appropriation. The City will pay for items from either the general fund or in the case of the Airport, enterprise fund revenue. For each year in which a payment is required, the City (or Airport's) recommended annual operating budget shall include an amount sufficient to pay that year's principal and interest.

Prepayment Penalty. The City can prepay for early ownership by paying 101.0 percent of the outstanding principal plus any accrued interest if the prepayment occurs in the first half of the lease term, and by paying 100.5 percent if the prepayment occurs in the second half of the lease.

Title. The City (Airport) retains title to the equipment while making payments. Failure to pay will result in forfeiture of the leased equipment and Banc of America may decline future leasing.

