



STAFF REPORT
11/11/2023

TO: Honorable Mayor and City Council Members

FROM: Dr. Gabriel Martin, City Manager

SUBJECT: Consideration of Conditions for Approval of an Equipment Lease/Purchase Agreement with Respect to the Aquisition, Financing and Purchase of Certain Equipment in Connection with Resolution No. 2023-72 Approved by the City Council on October 25, 2023

STAFF RECOMMENDATION:

It is recommended that the City Council remove the condition placed upon Resolution No. 2023-72, approved on October 25, 2023, allowing staff to execute and deliver an Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp for a portion of the Project (as defined below).

BACKGROUND:

On July 26, 2023, the City Council (“Council”) of the City of Coachella (“City”) adopted Resolution No. 2023-53, approving that certain Contract For Design and Construction of Energy Conservation Measures – Lump Sum (Gov. Code, § 4217, *et seq.*) (Multi-Site Energy Improvement Project) (the “DB Contract”) with Alliance Building Solutions, Inc. (“Alliance”). The DB Contract requires Alliance to design and construct several different types of energy conservation measures within the City (collectively, the “City Scope”), including, the following scope of work that the City agreed to construct on behalf of the Coachella Sanitary District (“District”) at the Wastewater Treatment Plant: (i) solar photovoltaic panels; and (ii) process optimization improvements (collectively, the “District Scope” and together with the City Scope, the “Project”). The City has proposed to finance the Project, and has obtained a rate lock of 4.344% for the financing from Banc of America Public Capital Corp (the “Lender” or “Bank”) which the Bank has agreed to extend through November 9, 2023.

On October 25, 2023, the Council adopted Resolution No. 2023-72 approving the financing for the Project and the execution and delivery of the Equipment Lease/Purchase Agreement and related documents with the Bank. In connection with approval of Resolution No. 2023-72, the Council placed a condition on said resolution directing staff to finance the entire Project, including the District Scope, or alternatively not finance any of the Project.

DISCUSSION/ANALYSIS:

Upon consultation with the City's legal counsel and financial advisors, the City has been made aware that there are alternative financing structures available for the process optimization improvements at the Wastewater Treatment Plant and Alliance has provided the City with a breakout showing there are anticipated energy savings with the remainder of the Project (excepting the process optimization improvements).

The City Council is now being asked to consider removing the condition placed on Resolution No. 2023-72, allowing for staff to execute and deliver the financing documents in order to finance the Project without the process optimization improvements at the Wastewater Treatment Plant, taking advantage of the rate lock for the remainder of the Project. This will additionally allow the City and Sanitary District to take a holistic approach to improvements at the Wastewater Treatment Plant, including analyzing whether any such project would necessitate raising sewer rates.

ALTERNATIVES:

1. The City Council may decide not to finance the Project or any portion thereof.
2. Take no action

FISCAL IMPACT:

Approving the removal of the condition on Resolution No. 2023-72 will reduce the amount financed by approximately \$10 million, and allow the City to take advantage of the rate lock of 4.344% for the remainder of the Project. Interest rates have risen significantly since the Bank provided this rate; and the current estimated interest rate is approximately 5.00%.

ATTACHMENT(S):

None.