

**COUNTY OF SONOMA  
AGENDA ITEM  
SUMMARY REPORT**

**Clerk of the Board Use Only**  
**Meeting Date**                      **Held Until**  
 \_\_\_\_\_  
**Agenda Item No:**                      **Agenda Item No:**  
 \_\_\_\_\_

**Department:**  
 Sonoma County Water Agency

( ) 4/5 Vote Required

**Contact:** Candi Bryon      **Phone:** (707) 521-6212      **Board Date:** 06-16-09

**Deadline for Board Action:**

**AGENDA SHORT TITLE:**  
 Capital Lease Financing for Wohler-Mirabel Emergency Generators

**REQUESTED BOARD ACTION(S):**  
 Resolution authorizing the General Manager/Chief Engineer to negotiate the Installment Sale Agreement, in substantially the form as on file with the Clerk, and financing of water system improvements and approving related documents, following review and approval by County Counsel, necessary for acquisition of two emergency generators at the Wohler-Mirabel Water Collection Facilities, with Municipal Finance and City National Bank.

**CURRENT FISCAL YEAR FINANCIAL IMPACT**

<u>EXPENDITURES</u>		<u>ADD'L FUNDS REQUIRING BOARD APPROVAL</u>	
Estimated Cost	\$ 3,020,000	Contingencies	\$
		(Fund Name: )	
Amount Budgeted	\$ 3,020,000	Unanticipated Revenue	\$
		(Source: )	
Other Avail Approp (Explain below)	\$	Other Transfer(s)	\$
		(Source: )	
Additional Requested:	\$ -0-	Add'l Funds Requested:	\$ -0-

**Explanation (if required):**

**Prior Board Action(s):**

**Alternatives - Results of Non-Approval:**  
 The Agency would have to seek alternative financing.

**Background:** Agreement on file with the Clerk.

The Sonoma County Water Agency (Agency) intends to install two emergency generators at its Wohler-Mirabel collection facilities. The new generators would replace aging generators which were undersized. The new generators will power four large pumps instead of two, additionally the new generators meet the Tier 2 performance standards. The estimated cost of the project is \$3,020,000.

Starting January 1, 2007, the US EPA has required off-road stationary generator sets to meet Tier 2 emissions levels. These emission levels for generators over 560 kilowatts are:

- (NOx + HC) less than 6.4 g/kW-hr
- CO less than 3.5 g/kW-hr
- PM (particulate matter) less than 0.20 g/kW-hr

By meeting these standards, the generator sets may be used for up to 100 hours per year for demand response programs. New stricter standards (Tier 4 Interim) go into effect on January 1, 2011.

In order to finance project costs, the Agency contacted two financial services firms for capital lease financing proposals: Municipal Finance Corporation and CaLease Program-California Communities JPA. The financial terms of lease financing are more advantageous than could be obtained in the municipal bond market.

Municipal Finance Corporation was selected due to its ability to offer the lowest bank-qualified interest rate (4.35% per annum) and due to its responsiveness to requests for information by Agency staff.

The proposed transaction has been reviewed and approved by the County's Debt Advisory Committee.

Under the proposed transaction, Municipal Finance Corporation will fund the Agency's purchase and installation of the two emergency generators. Upon signing of the installment sale agreement, Municipal Finance Corporation will then assign (transfer) its rights to City National Bank which accordingly will receive semi-annual installment payments from the Agency of \$162,854 each. The installment payments will terminate when payments conclude in 2021. Lease payments would be made by revenues from the Agency's water transmission system.

In order to obtain a commitment of financing, the Agency must negotiate and execute (1) Installment Sale Agreement and (2) other documents necessary for the financing transaction. The Installment Sale Agreement is on file with the Clerk in substantially final form.

**REQUESTED BOARD ACTION(S):**

Resolution authorizing the General Manager/Chief Engineer to negotiate the Installment Sale Agreement, in substantially the form as on file with the Clerk, and financing of water system improvements and approving related documents, following review and approval by County Counsel, necessary for acquisition of two emergency generators at the Wohler-Mirabel Water Collection Facilities, with Municipal Finance and City National Bank.

**Attachments:** Resolution (R1)

**On File With Clerk:** Installment Sale Agreement (1 Copy)

**CLERK OF THE BOARD USE ONLY**

**Board Action (If other than "Requested")**

**Vote:**