



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of
May 17, 2008**

DATE: May 6, 2008

SUBJECT: Approve the attached Reimbursement Resolution declaring the County Board's intention to reimburse itself from the proceeds of financing for expenditures to be made in connection with the acquisition and installation of certain equipment and systems.

C. M. RECOMMENDATION:

1. Approve the Reimbursement Resolution, Attachment 1, and authorize the County Manager to negotiate up to \$5,132,435 in lease financing for the equipment and systems as presented in Attachment 2.
2. Appropriate County's funds from Lease proceeds to account 101.91103.380800

ISSUES: Every year the County Manager requests the County Board for authorization to negotiate debt through the master lease agreement; financing of equipment and systems through the master lease allows the County and the Schools to finance equipment at low interest rates.

SUMMARY: In the Adopted Capital Improvement Program, the County Board authorizes the County Manager to seek short- and long-term debt to execute the County and Schools' capital projects. Every year, during the annual operating budget process, the County Manager Office and the Department of Management and Finance discuss the financing alternatives for short-and long-term projects. To finance the short-term projects, which may include equipment and systems, the County could use pay-as-you-go (Payg) or the Master Lease Agreement. This Agreement allows Arlington County and the Schools to finance their short-term needs at low tax-exempt interest rates.

In order for the equipment detailed in Attachment 2 to qualify under the Master Lease, the County Board has determined that it may be necessary or desirable to advance money for purchase by the Department of Technology Services of 250 Dell OptiPlex 755 mini-tower personal computers for County employees and six enterprise-wide servers and associated equipment; for the Detention Facility, the purchase of cell locks replacement, the upgrade of a digital video recorder switch, and programmable logic controller replacement; for the Fairlington Community Center, purchase of furniture, equipment and communication equipment; for Arlington Public Schools, purchase of 580 Dell 745 OptiPlex desktop computers, furniture and

County Manager: _____

County Attorney: _____

Staff: Gus Vega, Dept of Management & Finance – Financing Services Unit

equipment including smart boards and projectors for Washington – Lee High school, replacement of bus radios, and purchase of wireless data infrastructure and voice system. By adopting this resolution, the County will make its advancing funding intent clear, and therefore keep its financing plans consistent with federal regulations. The total cost for the equipment and systems is \$5,132,435.

BACKGROUND: On February 19, 2006, the Purchasing Agent negotiated a new Master Lease Agreement with Citimortgage. This Agreement can be used to acquire equipment and systems at a low interest rate and to pay for the equipment and systems over their useful life.

The Master Lease Agreement's structure allows the County to procure equipment and systems, to use temporary sources, and then draw funds from the Lessor to reimburse the temporary sources. In order to comply with federal tax regulations, the County needs to state its intentions to reimburse itself with the proceeds from the Master Lease Agreement. The attached resolution (Attachment 1) outlines the County's intent to advance fund certain equipment from the County's General Fund or other temporary sources and to reimburse itself from the financing proceeds at a later date. The attached list (Attachment 2) is comprised of County and Schools equipment and systems to be purchased with master lease proceeds.

It is in the County's interest to adopt an explicit resolution rather than relying on budget documents to provide the federal government with sufficient prior intent documentation. This is the third draw under the Master Lease authorized in February 2006.

DISCUSSION: Every year Arlington County and the Arlington Public Schools finance their needs of equipment and systems through the master lease agreement. In this financing proposal, the County Manager is requesting that the County Board authorize him to negotiate a debt under the master lease that would allow the County and the Schools to finance the equipment and systems at low interest rates. A detailed list of the equipment and systems is included in Attachment 2 in this report.

FISCAL IMPACT: The adoption of this resolution will ensure that the equipment and systems described in Attachment 2 approved by the County Board can be financed on a tax-exempt basis. The equipment and systems will be financed for 3, 5, and 7 years, see projected loan terms in Attachment 2. The debt service of approximately \$600,000 a year to support the County's projects has previously been included in the adopted FY 2009 budget, account number 101.91103.490500. The Arlington Public School Board approved its FY 2009 Operating Budget including funding to pay the Master Lease Debt Service.

RESOLUTION OF THE COUNTY BOARD OF
ARLINGTON COUNTY, VIRGINIA DECLARING ITS INTENTION
TO REIMBURSE ITSELF FROM THE PROCEEDS OF ONE OR MORE
LEASE FINANCINGS FOR CERTAIN EQUIPMENT AND SYSTEMS

The County Board of Arlington County, Virginia (the "County") has determined that it may be necessary or desirable to advance money to pay the costs of (the "Equipment"). The total cost for the equipment is \$5,132,435.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNTY BOARD OF
ARLINGTON COUNTY, VIRGINIA:

1. The County Board adopts this declaration of official intent under Treasury Regulations Section 1.150-2.
2. The County Board reasonably expects to reimburse advances made or to be made by the County to pay the costs of acquiring the Equipment from the proceeds of certain lease financing. The maximum amount of financing expected to be issued in one or more series for the Equipment is \$5,132,435.
3. This resolution shall take effect immediately upon its adoption.

The foregoing resolution was adopted by the County Board at its meeting on.

Clerk, County Board, Arlington County, Virginia

Attachment 2
 MASTER LEASE PROGRAM PROPOSED FUNDING REQUIREMENT

	Units	Price per Unit	Total
DTS			
Replacement of 250 personal computers with Dell OptiPlex 755 Mini-tower computers.(Loan Term: 3 years)	250	1,199	299,750
Replacement of 6 enterprise-wide servers and associated equipment that are needed for County operations such as email (Loan Term: 5 yrs)	6	33,375	200,250
Sub Total DTS \$500,000			
Detention Facility			
Cell locks Replacement (Loan Term: 7 yrs)			788,000
Upgrade DVR (Digital Video Recorder) Switch (Loan Term: 3 yrs)			170,232
Programmable Logic Controller Replacement (Loan Term: 5 yrs)			471,768
Sub Total Detention Facility \$1,430,000			
Fairlington Community Center			
Furniture and equipment (Loan Term: 5 yrs)			403,800
Fitness and Exercise Equipment (Loan Term: 5 yrs)			70,000
Communication Equipment (Loan Term: 3 yrs)			46,000
Audio visual - Media Equipment (Loan Term: 3 yrs.)			73,000
Telephone Equipment (Loan Term: 3 yrs)			7,500
Sub Total Fairlington Community Center \$600,300			
APS			
Personal computers for Administration Personnel (Dell OptiPlex 745 Desktop) (Loan Term: 3 yrs)	155	1,000	155,000
Personal computers (Instructional) ((Dell OptiPlex 745 Desktop) Loan Term: 3 yrs)	425	1,000	425,000
W & L – Furniture &Equipment (Loan Term: 5 yrs)			525,000
W & L - Technology (Smart boards, projectors) (Loan Term: 3 yrs)			571,135
Replacement bus radios (Loan Term: 5 yrs)			580,000
Wireless data infrastructure (routers and other equipment) (Loan Term: 3 yrs)			190,000
Voicemail system (servers) (Loan Term: 5 yrs)	2	78,000	156,000
Sub Total Schools \$2,602,135			
Total			\$5,132,435

Note: The difference in price between the County and Schools' computers is due to a different configuration, capacity and services contracted.