

SUBJECT

Acceptance of lease-purchase for kitchen equipment for Building Three.

REASON FOR CONSIDERATION BY THE BOARD

The District Governing Board approves capital leases for a period extending beyond one year.

BACKGROUND INFORMATION

The kitchen equipment (\$290,000) for Building Three was budgeted to be funded by master plan bond proceeds within the Master Plan 2000 document. Staff is recommending that we lease-purchase these items using local resources as presented in the Fiscal Year 2005-2006 Budget.

This recommendation is based on the following factors:

- The most favorable interest rate received for the five year lease purchase is .01944% (\$1 buyout lease). The average interest cost on the master plan bonds is 4.11%. The total interest cost is less than the average cost of master plan bonds.
- The proceeds and the annual lease payment are treated as deductions from our total expenditures for the State's Expenditure Limitation Calculation.
- The funding for the current year debt payment and future year's payments will be used from profits earned from the Food Service operation.
- Future debt payments will not create a hardship on the District's capital funds.

The District received bids ranging from the low of .01944% to a high of 4.21%. The low bidder was University Lease, a division of Cal First National Bank offering a fixed rate of .01944% for the kitchen equipment for a five year period. In addition, the lease-purchase agreement will be reviewed by the District's attorneys.

STAFF RECOMMENDATIONS

Mr. Bob Lynch, Interim Vice President of Finance
Ms. Pam DeYoung, Assistant Director of Purchasing

POSSIBLE RECOMMENDATION

That the District Governing Board approves the lease-purchase to University Lease, a division of Cal First National Bank as presented.