



City of Grand Island

Tuesday, January 25, 2011

Council Session

Item I1

**#2011-25 - Consideration of Approving Lease/Purchase for Heavy
Duty Rescue Pumper**

Staff Contact: Mary Lou Brown

Council Agenda Memo

From: Mary Lou Brown, Finance Director
Meeting: January 25, 2011
Subject: Financing of Heavy Duty Rescue Pumper Truck
Item #'s: I-1
Presenter(s): Mary Lou Brown, Finance Director

Background

The Fire Department budgeted the purchase of a heavy duty fire pumper truck in the current fiscal year, 2010/2011. The financing assumption for budget planning purposes was a 10 year lease purchase with the purchase price estimated at \$550,000. The cash payment for 2010/2011 was budgeted at \$69,000. The Council approved the use of debt financing for the purchase at the November 23, 2010 Council meeting.

The final purchase price of the pumper truck is \$516,978.00.

Discussion

Financing proposals were submitted by nine financial institutions. Proposals were in the form of a lease purchase agreement. The proposals were evaluated on the basis of annual interest rate, required down payment, overall cost of the agreement and a discounted cash flow analysis.

The recommended proposal is Municipal Leasing Consultants for a five year lease purchase agreement. The payment structure for this proposal is a 5 year tax-exempt lease purchase with payments in arrears. The first payment is due one year after funding and each payment thereafter is made on an annual basis. The annual payments are \$111,790.93. The only payment in the first year is a \$550.00 documentation fee. There is an option to prepay on any payment date for 2% of the remaining balance.

A 5 year term is recommended for the following reasons:

- The total amount of financing cost is kept to a minimum. The total cost of the loan, including the documentation fee, is \$42,526.65.
- The depreciated value of the fire pumper truck is in excess of the principle in each year.

The Fire Department budgeted \$69,000 in the current fiscal year for the lease purchase of the truck. With this proposal, only \$550.00 will be spent. The first payment of \$111,790.93 will be made in 2012. This enables us to plan for the payment as the budget for fiscal year 2011/2012 is developed.

The opportunity to submit a proposal was advertised in accordance with City Procurement Codes.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve the 5 year tax exempt lease purchase proposed by Municipal Leasing Consultants.
2. Postpone the issue to a future meeting.
3. Take no action.

Recommendation

City Administration recommends that the Council approve the 5 year lease purchase with Municipal Leasing Consultants.

Sample Motion

Move to approve the 5 year lease purchase with Municipal Leasing Consultants.



Municipal Leasing Consultants
 7 Old Town Lane
 Grand Isle, VT 05458
 Tel (802) 372-8435
 Fax (802) 372-4775
 www.PowerOfLeasing.com

January 10, 2011

RaNae Edwards
 City Clerk
 City of Grand Island
 100 East First Street
 Grand Island, NE 68801

Dear RaNae:

Municipal Leasing Consultants, an independent woman-owned business, is pleased to present the following proposal to lease certain capital equipment pursuant to the following terms and conditions.

LESSOR: Municipal Leasing Consultants, Its Agents or Assignee

LESSEE: City of Grand Island, NE

EQUIPMENT: New Heavy Duty Rescue/Pumper

EQUIPMENT COST: \$516,978.00

PAYMENT STRUCTURES: **Tax-Exempt Lease Purchase**
Five (5) Years – In Arrears
 Five (5) Annual Payments of \$111,790.93
 First payment due one year after funding and Annual thereafter
 (i.e., \$516,978.00 x .216239 = \$111,790.93)

RATE: **2.66%**

Tax-Exempt Lease Purchase
Seven (7) Years – In Arrears
 Seven (7) Annual Payments of \$82,884.46
 First payment due one year after funding and Annual thereafter
 (i.e., \$516,978.00 x .160325 = \$82,884.46)

RATE: **2.97%**

Tax-Exempt Lease Purchase
Ten (10) Years – In Arrears
 Ten (10) Annual Payments of \$62,256.17
 First payment due one year after funding and Annual thereafter
 (i.e., \$516,978.00 x .120423 = \$62,256.17)

RATE: **3.53%**

The preceding costs are estimates, and thus, the payment amount would be changed in proportion to the actual cost. The Vendor(s) will be paid upon the Lessee's authorization and the execution of mutually acceptable documentation.

THE ABOVE QUOTES ARE FIXED FROM JANUARY 10, 2011 UNTIL JANUARY 31, 2011 AFTER WHICH TIME THE RATE WILL FLOAT UNTIL FUNDING AND WILL BE BASED ON THE LIKE TERM SWAP RATES.

EQUIPMENT

ACCEPTANCE DATE: This proposal is based upon both the assumption and the condition that any and all equipment will be delivered to and accepted by Lessee prior to January 10, 2012.

OPTION AT LEASE

EXPIRATION: At the lease expiration, the Lessee shall have the right to purchase the equipment for One dollar (\$1.00), assuming the lease is not in default and all terms and conditions of the lease have been met.

NET LEASE: This lease will be a net lease transaction with maintenance, acceptable insurance coverage, taxes and any legal fees the responsibility of the Lessee.

LEASE AMORTIZATION

SCHEDULE: Amortization schedules with separate principal and interest cost breakdown will be provided with the final documentation.

WARRANTIES: Lessor is bidding only as to the provision of lease purchase financing for the purchase cost of the equipment and will have no responsibility to the lessee or any other person for the selection, furnishing, delivery, servicing or maintaining of the equipment. All equipment manufacturer or vendor warranties will be passed to the Lessee under the agreement.

NON-APPROPRIATION: This proposal is subject to annual appropriation for each fiscal year.

BANK OR NON-BANK

QUALIFICATION: Lessee reasonably anticipates the total amount of tax-exempt obligations (other than private activity bonds) to be issued by Lessee during calendar year 2011 will not exceed ten million (\$10,000,000.00) dollars.

FINANCIAL

STATEMENTS: Lessee shall furnish Lessor with its financial statement for the last three fiscal years and its current year fiscal budget.

AUTHORIZED

SIGNORS: The Lessee's governing board shall provide MLC with its resolution or ordinance authorizing this Agreement and shall designate the individual(s) to execute all necessary documents used therein.

LEGAL OPINION: The Lessee's counsel shall furnish MLC with an opinion covering this transaction and the documents used herein.

REIMBURSEMENT: If Lessee intends to be reimbursed for any equipment cost associated with this agreement, intent for reimbursement from the proceeds of this Agreement must be evidenced, and must qualify under the Treasury Regulation Section 1.150.2.

DOCUMENTATION: All documentation will be provided by Lessor, Its Agents or Assignee, and must be satisfactory to all parties concerned.

ESCROW FUNDING: If applicable, an interest bearing escrow account will be established to make disbursements. This account has a \$250.00 fee and can be taken from the interest earnings. Interest earnings will accrue to the benefit of the Lessee. The interest earnings rate on the temporary investment is estimated to be 1%.

PREPAYMENT OPTION: The Lessee will have the option to prepay on any payment date for 2% of the remaining balance.

BASIS OF PROPOSAL: This proposal is based upon financing being provided by Lessor and should not be construed nor relied upon as a commitment. Such a commitment is subject to formal credit review, approval and the execution of mutually acceptable documentation. The contract, and not the proposal, will set forth the agreement between the parties.

We appreciate the opportunity to provide this proposal and look forward to working with you in the future. If the foregoing meets with the City's approval, please sign the acceptance below and return it with your financial information and the \$550.00 documentation fee. Failure to consummate this transaction once credit approval is granted will result in the documentation fee being assessed to the City. Upon receipt of the above, formal credit approval will be pursued.

If you have any questions or would like further information, please do not hesitate to call me at 802-372-8435.

The foregoing is acknowledged and accepted as of the _____ day of _____, _____.

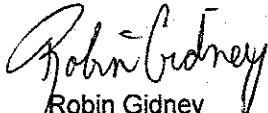
City of Grand Island, NE

By: _____

Title: _____

Date: _____

Sincerely,


Robin Kidney
Vice President

City of Grand Island, NE

References

Babylon Village
153 West Main Street
Babylon, NY 11702
Tel: 631-587-6270
Contact: Joan Crockett

Town of Bradford
75 West Main Street
Bradford, NH 03221
Tel: 603-938-5900
Contact: Cheryl Behr

Town of Richford
P.O. Box 236
Richford, VT 05476
Tel: 802-848-7751
Contact: Gary Snider

City of Grand Island, NE - 5 Years - Annual in Arrears

Compound Period: Annual

Nominal Annual Rate: 2.660 %
 Effective Annual Rate ...: 2.660 %
 Periodic Rate: 2.6600 %
 Daily Rate: 0.00729 %

CASH FLOW DATA

Event	Start Date	Amount	Number Period	End Date
1 Loan	01/31/2011	516,978.00	1	
2 Payment	01/31/2012	111,790.93	5 Annual	01/31/2016

AMORTIZATION SCHEDULE - Normal Amortization

Date	Payment	Interest	Principal	Balance
Loan 01/31/2011				516,978.00
2011 Totals	0.00	0.00	0.00	
1 01/31/2012	111,790.93	13,751.61	98,039.32	418,938.68
2012 Totals	111,790.93	13,751.61	98,039.32	
2 01/31/2013	111,790.93	11,143.77	100,647.16	318,291.52
2013 Totals	111,790.93	11,143.77	100,647.16	
3 01/31/2014	111,790.93	8,466.55	103,324.38	214,967.14
2014 Totals	111,790.93	8,466.55	103,324.38	
4 01/31/2015	111,790.93	5,718.13	106,072.80	108,894.34
2015 Totals	111,790.93	5,718.13	106,072.80	
5 01/31/2016	111,790.93	2,896.59	108,894.34	0.00
2016 Totals	111,790.93	2,896.59	108,894.34	
Grand Totals	558,954.65	41,976.65	516,978.00	

City of Grand Island, NE - 7 Years - Annual in Arrears

Compound Period: Annual

Nominal Annual Rate: 2.970 %
 Effective Annual Rate ...: 2.970 %
 Periodic Rate: 2.9700 %
 Daily Rate: 0.00814 %

CASH FLOW DATA

Event	Start Date	Amount	Number Period	End Date
1 Loan	01/31/2011	516,978.00	1	
2 Payment	01/31/2012	82,884.46	7 Annual	01/31/2018

AMORTIZATION SCHEDULE - Normal Amortization

Date	Payment	Interest	Principal	Balance
Loan 01/31/2011				516,978.00
2011 Totals	0.00	0.00	0.00	
1 01/31/2012	82,884.46	15,354.25	67,530.21	449,447.79
2012 Totals	82,884.46	15,354.25	67,530.21	
2 01/31/2013	82,884.46	13,348.60	69,535.86	379,911.93
2013 Totals	82,884.46	13,348.60	69,535.86	
3 01/31/2014	82,884.46	11,283.38	71,601.08	308,310.85
2014 Totals	82,884.46	11,283.38	71,601.08	
4 01/31/2015	82,884.46	9,156.83	73,727.63	234,583.22
2015 Totals	82,884.46	9,156.83	73,727.63	
5 01/31/2016	82,884.46	6,967.12	75,917.34	158,665.88
2016 Totals	82,884.46	6,967.12	75,917.34	
6 01/31/2017	82,884.46	4,712.38	78,172.08	80,493.80
2017 Totals	82,884.46	4,712.38	78,172.08	
7 01/31/2018	82,884.46	2,390.66	80,493.80	0.00
2018 Totals	82,884.46	2,390.66	80,493.80	
Grand Totals	580,191.22	63,213.22	516,978.00	

City of Grand Island, NE - 10 Years - Annual in Arrears

Compound Period: Annual

Nominal Annual Rate: 3.530 %
 Effective Annual Rate ...: 3.530 %
 Periodic Rate: 3.5300 %
 Daily Rate: 0.00967 %

CASH FLOW DATA

Event	Start Date	Amount	Number Period	End Date
1 Loan	01/31/2011	516,978.00	1	
2 Payment	01/31/2012	62,256.17	10 Annual	01/31/2021

AMORTIZATION SCHEDULE - Normal Amortization

Date	Payment	Interest	Principal	Balance
Loan 01/31/2011				516,978.00
2011 Totals	0.00	0.00	0.00	
1 01/31/2012	62,256.17	18,249.32	44,006.85	472,971.15
2012 Totals	62,256.17	18,249.32	44,006.85	
2 01/31/2013	62,256.17	16,695.88	45,560.29	427,410.86
2013 Totals	62,256.17	16,695.88	45,560.29	
3 01/31/2014	62,256.17	15,087.60	47,168.57	380,242.29
2014 Totals	62,256.17	15,087.60	47,168.57	
4 01/31/2015	62,256.17	13,422.55	48,833.62	331,408.67
2015 Totals	62,256.17	13,422.55	48,833.62	
5 01/31/2016	62,256.17	11,698.73	50,557.44	280,851.23
2016 Totals	62,256.17	11,698.73	50,557.44	
6 01/31/2017	62,256.17	9,914.05	52,342.12	228,509.11
2017 Totals	62,256.17	9,914.05	52,342.12	
7 01/31/2018	62,256.17	8,066.37	54,189.80	174,319.31
2018 Totals	62,256.17	8,066.37	54,189.80	
8 01/31/2019	62,256.17	6,153.47	56,102.70	118,216.61
2019 Totals	62,256.17	6,153.47	56,102.70	
9 01/31/2020	62,256.17	4,173.05	58,083.12	60,133.49
2020 Totals	62,256.17	4,173.05	58,083.12	
10 01/31/2021	62,256.17	2,122.68	60,133.49	0.00
2021 Totals	62,256.17	2,122.68	60,133.49	

City of Grand Island, NE - 10 Years - Annual in Arrears

Date	Payment	Interest	Principal	Balance
Grand Totals	622,561.70	105,583.70	516,978.00	



Jason Eley, Purchasing Agent

*Working Together for a
Better Tomorrow, Today*

**REQUEST FOR PROPOSAL
FOR
LEASE/PURCHASE OF HEAVY DUTY RESCUE PUMPER**

RFP DUE DATE: January 17, 2011 at 4:00 p.m.

DEPARTMENT: Finance

PUBLICATION DATE: January 1, 2011

NO. POTENTIAL BIDDERS: 18

SUMMARY OF PROPOSALS RECEIVED

AXIS Capital, Inc.
Grand Island, NE

Union Equipment Finance
Lincoln, NE

Municipal Leasing Consultants
Grand Isle, VT

Smeal Fire-Apparatus Co.
Snyder, NE

Five Points Bank
Grand Island, NE

Wells Fargo Equipment Finance, Inc.
Omaha, NE

Platte Valley State Bank & Trust Co.
Grand Island, NE

Municipal Asset Management, Inc.
Golden, CO

Municipal Services Group, Inc.
Littleton, CO

cc: Mary Lou Brown, Finance Director
Jason Eley, Purchasing Agent

Troy Hughes, Fire Chief
Chris Hoffman, Fire Admin. Assist.

RESOLUTION 2011-25

WHEREAS, the Fire Department plans to purchase a heavy duty rescue pumper truck as included in the approved Fiscal Year 2010/2011 budget; and

WHEREAS, Council previously approved the consideration of either a lease or a tax exempt loan; and

WHEREAS, nine financing proposals were received, opened and reviewed following the advertisement of the proposal request that was posted according to statutory requirements; and

WHEREAS, the proposal from Municipal Leasing Consultants for a 5 year tax exempt lease purchase agreement was determined to be the most economical for the City; and

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that:

The proposal received from Municipal Leasing Consultants for a 5 year lease purchase agreement is hereby approved. The Mayor is so authorized to sign the lease purchase agreement.

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Adopted by the City Council of the City of Grand Island, Nebraska, January 25, 2011.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
January 21, 2011	☐ City Attorney