



City of San Antonio

Agenda Memorandum

File Number: 14-1448

Agenda Item Number: 38A.

Agenda Date: 6/19/2014

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: All

SUBJECT: Authorizing the Execution of the 2014 Master Tax-Exempt Lease Purchase Agreement

SUMMARY:

- A. This Ordinance approves the Master Tax-Exempt Lease Purchase Agreement with SunTrust Equipment Finance & Leasing Corp. and an Escrow and Account Control Agreement with SunTrust Equipment Finance & Leasing Corp. and Frost Bank, approving Exhibits and related Schedules to the Master Tax-Exempt Lease Purchase Agreement in the amount of \$4,470,161, for the acquisition of various Solid Waste Management collection trucks and other trucks.
- B. This Resolution authorizes the reimbursement of funds previously expended from the proceeds of the 2014 Master Tax-Exempt Lease Purchase Agreement entered into between the City of San Antonio and SunTrust Equipment Finance & Leasing Corp.

BACKGROUND INFORMATION:

On April 28, 2014, the City released a Request for Bid (“RFB”) for a Tax-Exempt Equipment Lease/Purchase Financing Agreement (the “Lease”). The Lease was to be awarded to the firm that provided the lowest interest rate producing the lowest interest cost to the City over the life of the Lease and whose terms and conditions of the proposed Lease were most consistent with the City’s objectives. The notification of the RFB was emailed to thirty-three (33) firms on April 28, 2014. On May 16, 2014, ten (10) firms submitted bids. The results were as follows:

Firm	7-Year Rate
SunTrust Equipment Finance & Leasing Corp.	1.690%*
Banc of America Public Capital Corp	1.690%*
Santander Bank, N.A.	1.730%
JP Morgan Chase Bank, N.A.	1.780%
US Bancorp Government Leasing and Finance, Inc.	1.911%

Capital One Public Funding	1.950%
PNC Equipment Finance, LLC	2.090%
Clayton Holdings, LLC - An equity subsidiary of Commerce Bank	2.180%
Frost Bank	2.250%
Branch Banking & Trust Company	2.370%

*SunTrust Equipment Finance & Leasing Corp. and Banc of America Public Capital Corp both submitted the lowest bid rates of 1.69%, and then bids were further evaluated to determine which terms and conditions of the proposed Lease were most consistent with the City’s objectives as outlined in the RFB. The Banc of America Public Capital Corp proposal included either a pre-payment penalty or a non-call period.

The City contacted SunTrust Equipment Finance & Leasing Corp. for the contract negotiation process because it was determined that they had the lowest interest cost and terms and conditions of the proposed Lease that were most consistent with the City’s objectives.

The financing term for the Solid Waste Management Department trucks (the “Equipment”) is seven (7) years at an interest rate of 1.69%. Funds in the amount of \$4,470,161 will be deposited into an escrow account at Frost Bank, on or before July 2, 2014. From the Lease proceeds, \$4,447,661.47 is allocated to the purchase of the Equipment and \$22,499.53 is allocated to costs of issuance for a total amount of \$4,470,161. Pending final acceptance of the Equipment, the funds will be invested with interest earnings accruing for the benefit of the City. Payment for the Equipment will be made to the respective vendor(s) when final acceptance is provided in writing by the applicable department and the Finance Department.

ISSUE:

The utilization of SunTrust Equipment Finance & Leasing Corp. to provide Lease Purchase Financing for the aforementioned Equipment is consistent with the Fiscal Year 2014 Adopted Budget, the City’s bidding policies, and previous actions to obtain similar financings.

ALTERNATIVES:

An alternative to this financing mechanism would be to fund these expenses out of the operating budget of the Solid Waste Management Department. The proposed Lease Purchase Financing mechanism minimizes the impact of the expenditure in FY 2014 by allocating it out over a 7-year period. Additionally, if this Ordinance is not approved, new financing rates would be required as this interest rate is in effect through July 15, 2014

FISCAL IMPACT:

Payments will be made on a quarterly basis to SunTrust Equipment Finance & Leasing Corp. commencing on or about August 1, 2014.

The lease payments for the Solid Waste Management Department lease program schedule are anticipated to be made from the Solid Waste Operating Fund with the proposed payment schedule anticipated to be in the principal amount of \$4,470,161 with total interest of \$285,133.43 for a total payment of \$4,755,294.43.

RECOMMENDATION:

Staff recommends approval of this ordinance authorizing the execution of a Master Tax-Exempt Lease Purchase Agreement, an Escrow Agreement, and Exhibits and related Schedules with SunTrust Equipment Finance & Leasing Corp. in the amount of \$4,470,161 for the financing of Solid Waste Management Department trucks for the City and also recommends approval of this reimbursement resolution.