



# City of San Antonio

## Agenda Memorandum

**File Number:**16-1641

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**Agenda Item Number:** 9A.

**Agenda Date:** 2/11/2016

**In Control:** City Council A Session

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**DEPARTMENT:** Finance

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** City-wide

### **SUBJECT:**

Authorizing the Execution of the 2016 Master Tax-Exempt Lease Purchase Agreement for Police Helicopter

### **SUMMARY:**

- A. This Ordinance approves the Master Tax-Exempt Lease Purchase Agreement with JP Morgan Chase Bank and an Escrow and Account Control Agreement with JP Morgan Chase Bank and Frost Bank, approves Exhibits and related Schedules to the Master Tax-Exempt Lease Purchase Agreement in the amount of \$2,858,759 for a helicopter for the Police Department.
- B. This Resolution authorizes the reimbursement of funds previously expended from the proceeds of the 2016 Master Tax-Exempt Lease Purchase Agreement entered into between the City of San Antonio and JP Morgan Chase Bank.

### **BACKGROUND INFORMATION:**

On December 13, 2015, the City released a Request for Bid ("RFB") for a Tax-Exempt Equipment Lease/Purchase Financing for Police Helicopter (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 are most consistent with the City's objectives. The notification of the RFB was emailed to thirty-four (34) firms on December 13, 2015. On January 15, 2016, eight (8) firms submitted bids. The results were as follows:

Firm	Helicopter 7-Year Rate
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JP Morgan Chase Bank	1.654%
Banc of America Public Capital Corp	1.680%
Regions Bank	1.730%
US Bancorp Government Leasing	1.980%
Signature Public Funding Corp.	2.110%
Frost Bank*	2.179%
PNC Bank	2.380%
Pinnacle Public Finance Corp.	2.390%

\* Bid included an additional \$4,000 filing fee.

The City contacted JP Morgan Chase Bank 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 helicopter is for seven (7) years at an interest rate of 1.654%. Funds in the amount of \$2,858,759 will be deposited into an escrow account at Frost Bank on or before February 17, 2016. Lease proceeds of \$2,836,259 will be allocated to the purchase of the equipment and \$22,500 will be allocated to costs of issuance for a total amount of \$2,858,759. 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 City department and the Finance Department.

## **ISSUE:**

The utilization of JP Morgan Chase Bank to provide Lease Purchase Financing for the aforementioned equipment is consistent with the Fiscal Year 2016 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 Police Department. The proposed Lease Purchase Financing mechanism minimizes the impact of the expenditure in FY 2016 by allocating it out over a seven (7) year period.

## **FISCAL IMPACT:**

Payments will be made quarterly to JP Morgan Chase Bank commencing on or about May 1, 2016.

The lease payments for the helicopter are anticipated to be made from the Police Department Operating Budget with the proposed payment for the seven (7) year schedule anticipated to be \$2,858,759 in principal amount, with total interest of \$187,101 for a total payment of \$3,045,860.

## **RECOMMENDATION:**

Staff recommends approval of this ordinance authorizing the execution of a Master Tax-Exempt Lease Purchase Agreement, an Escrow Agreement for Police Helicopter, and Exhibits and related Schedules with JP Morgan Chase Bank in the amount of \$2,858,759 for the financing of a helicopter for the Police Department and also recommends approval of this reimbursement resolution.