



City of San Antonio

Agenda Memorandum

File Number:17-5831

Agenda Item Number: 22.

Agenda Date: 11/2/2017

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Authorizing the Execution of the 2017 Master Tax-Exempt Lease Purchase Agreement for Fire Equipment

SUMMARY:

- A. This Ordinance approves the Master Tax-Exempt Lease Purchase Agreement for Fire Equipment with Banc of America Public Capital Corp and an Escrow and Account Control Agreement with Banc of America Public Capital Corp and Frost Bank, approves Exhibits and related Schedules to the Master Tax-Exempt Lease Purchase Agreement for Fire Equipment in the amount of \$3,714,473 for the acquisition of bunker gear and direct capture filtration systems for the Fire Department.
- B. This Resolution authorizes the reimbursement of funds previously expended from the proceeds of the 2017 Master Tax-Exempt Lease Purchase Agreement for Fire Equipment entered into between the City of San Antonio and Banc of America Public Capital Corp.

BACKGROUND INFORMATION:

On September 5, 2017, the City released a Request for Bid (“RFB”) for a Tax-Exempt Equipment Lease/Purchase Financing Agreement for Fire Equipment (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-five (35) firms on September 5, 2017. On September 25, 2017, seven (7) firms submitted bids. The results were as follows:

| Firm | Bunker Gear and Direct Capture Filtration Systems 7-Year Rate |
|---|---|
| Banc of America Public Capital Corp | 1.820% |
| City National Capital Finance, Inc | 1.970% |
| JP Morgan Chase Bank | 2.018% |
| US Bancorp Government Leasing & Financing Inc | 2.050% |
| Signature Public Funding Corp | 2.120% |
| Pinnacle Public Finance Inc | 2.210% |
| BB&T | 2.470% |

The City contacted Banc of America Public Capital 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 bunker gear and direct capture filtration systems is seven (7) years at an interest rate of 1.82%. Funds in the amount of \$3,714,473 will be deposited into an escrow account at Frost Bank on or before November 8, 2017. Lease proceeds of \$3,691,973 will be allocated to the purchase of the equipment and \$22,500 will be allocated to costs of issuance for a total amount of \$3,714,473. 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 Banc of America Public Capital Corp to provide Lease Purchase Financing for the aforementioned equipment is consistent with the Fiscal Year 2018 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 Fire Department. The proposed Lease Purchase Financing mechanism minimizes the impact of the expenditure in FY 2018 by allocating it out over seven (7) year periods.

FISCAL IMPACT:

Payments will be made quarterly to Banc of America Public Capital Corp commencing on or about February 1, 2018.

The lease payments are anticipated to be made from the Fire Department Operating Budget with the lease payment for the bunker gear and direct capture filtration systems for the seven (7) year schedule anticipated to be \$3,714,473 in principal amount with total interest of \$265,653.62 for a total payment of \$3,980,126.62.

RECOMMENDATION:

Staff recommends approval of this ordinance authorizing the execution of a Master Tax-Exempt Lease Purchase Agreement for Fire Equipment, an Escrow Agreement, and Exhibits and related Schedules with Banc of America Public Capital Corp in the amount of \$3,714,473 for the financing of bunker gear and direct capture filtration systems for the Fire Department and also recommends approval of this reimbursement resolution.