



City of San Antonio

Agenda Memorandum

File Number:18-1832

Agenda Item Number: 22A.

Agenda Date: 2/15/2018

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-Wide

SUBJECT:

Authorizing the Execution of the 2018 Master Tax-Exempt Lease Purchase Agreements for Police Helicopter, Solid Waste and Fire Equipment

SUMMARY:

- A. This Ordinance approves the Master Tax-Exempt Lease Purchase Agreement for a Police Helicopter with Banc of America Public Capital Corp and an Escrow and Account Control Agreement with Banc of America Public Capital Corp and Frost Bank; and approves Exhibits and related Schedules to the Master Tax-Exempt Lease Purchase Agreement in the amount of \$4,963,223 for the acquisition of a Police Helicopter for the Police Department.
- B. This Ordinance approves the Master Tax-Exempt Lease Purchase Agreement for Solid Waste and Fire Equipment with Signature Public Funding Corporation and an Escrow and Account Control Agreement with Signature Public Funding Corporation and Frost Bank; and approves Exhibits and related Schedules to the Master Tax-Exempt Lease Purchase Agreement in the amount of \$5,430,086.78 for the acquisition of automated side loaders for the Solid Waste Department and an ambulance and bunker gear for the Fire Department.
- C. This Ordinance approves the Master Tax-Exempt Lease Purchase Agreement for Solid Waste and Fire Equipment with JP Morgan and an Escrow and Account Control Agreement with JP Morgan and Frost Bank; and approves Exhibits and related Schedules to the Master Tax-Exempt Lease Purchase Agreement in the amount of \$5,014,671.56 for the acquisition of brush tractors and brush trailers for the Solid Waste Department and an exhaust removal system, platform truck, and engine truck for the Fire Department.

BACKGROUND INFORMATION:

On December 18, 2017, the City released a Request for Bid (“RFB”) for a Tax-Exempt Equipment Lease/Purchase Financing Agreement for Solid Waste and Fire Equipment and a Tax-Exempt Equipment Lease/Purchase Financing Agreement for Police Helicopter. The leases were 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 leases and whose terms and conditions of the proposed leases were most consistent with the City’s objectives. The notification of the RFB was emailed to thirty-five (33) firms on December 18, 2017 and on January 9, 2018 bids were due. The results were as follows:

Firm	Police Helicopter 7-Year Rate
Banc of America Public Capital Corp	2.6422%
JP Morgan	2.6600%
Carlyle Capital Management	2.6684%
Regions Capital	2.7521%
Signature Public Funding Corp	2.7200%
US Bank	2.8820%
PNC Equipment Finance	3.2500%

Firm	Fire Equipment 3-Year Rate
Signature Public Funding Corp	2.3400%
Carlyle Capital Management	2.3610%
US Bank	2.3620%
Frost Bank	2.3700%
Regions Capital	2.3914%
Banc of America Public Capital Corp	2.4234%
PNC Equipment Finance	2.7500%
Pinnacle Public Finance	2.9000%
JP Morgan	2.9310%

Firm	Solid Waste and Fire Equipment 5-Year Rate
Signature Public Funding Corp	2.4400%
JP Morgan	2.4860%
Banc of America Public Capital Corp	2.5405%
Frost Bank	2.5500%
Carlyle Capital Management	2.5226%
Regions Capital	2.5561%
US Bank	2.6200%
PNC Equipment Finance	2.8500%
Pinnacle Public Finance	2.9900%

Firm	Solid Waste and Fire Equipment 7-Year Rate
JP Morgan	2.639%
Banc of America Public Capital Corp	2.6422%
Carlyle Capital Management	2.6684%
Regions Capital	2.6894%
Signature Public Funding Corp	2.6900%
Frost Bank	2.7500%
US Bank	2.8820%
Pinnacle Public Finance	3.1200%
PNC Equipment Finance	3.2000%

The City contacted Banc of America Public Capital Corp, JP Morgan, and Signature Public Funding Corp for the contract negotiation process because it was determined that they had the lowest interest cost and terms and conditions of the proposed leases that were most consistent with the City's objectives.

The financing term with Banc of America Public Capital Corp for the Police Helicopter is seven (7) years at an interest rate of 2.6422%. Funds in the amount of \$4,963,223 will be deposited into an escrow account at Frost Bank on or before February 21, 2018. Lease proceeds of \$4,940,723 will be allocated to the purchase of the equipment and \$22,500 will be allocated to costs of issuance for a total amount of \$4,963,223. 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.

The financing term with Signature Public Funding Corp for the Fire ambulance is three (3) years at an interest rate of 2.34% and the financing term for the automated side loaders and bunker gear is five (5) years at an interest rate of 2.44%. Funds in the amount of \$5,430,086.78 will be deposited into an escrow account at Frost Bank on or before February 21, 2018. Lease proceeds of \$5,418,389.34 will be allocated to the purchase of the equipment and \$11,697.44 will be allocated to costs of issuance for a total amount of \$5,430,086.78. 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.

The financing term with JP Morgan for the brush tractors and brush trailers, exhaust removal system, platform truck, and engine truck is seven (7) years at an interest rate of 2.639%. Funds in the amount of \$5,014,671.56 will be deposited into an escrow account at Frost Bank on or before February 21, 2018. Lease proceeds of \$5,003,869.00 will be allocated to the purchase of the equipment and \$10,802.56 will be allocated to costs of issuance for a total amount of \$5,014,671.56. 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, JP Morgan, and Signature Public Funding 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 budgets of the Police, Solid Waste, and Fire Departments. The proposed Lease Purchase Financing mechanism minimizes the impact of the expenditure in FY 2018 by allocating it out over three, five, and seven year periods.

FISCAL IMPACT:

Payments will be made quarterly to Banc of America Public Capital Corp, JP Morgan, and Signature Public Funding Corp commencing on or about May 1, 2018.

The lease payments are anticipated to be made from the Police Department Operating Budget with: 1) the lease payment for Police Helicopter for the seven (7) year schedule anticipated to be \$4,963,223 in principal amount with total interest of \$514,951.36 for a total payment of \$5,478,174.36.

The lease payments are anticipated to be made from the Solid Waste Department Operating Budget with: 1) the lease payment for automated side loaders and bunker gear for the five (5) year schedule anticipated to be \$2,862,216.76 in principal amount with total interest of \$200,434.21 for a total payment of 3,602,650.97 and 2) the lease payment for brush tractors and brush trailers , for the seven (7) year schedule anticipated to be \$701,511.19 in principal amount with total interest of \$72,693.64 for a total payment of \$774,204.83.

The lease payments are anticipated to be made from the Fire Department Operating Budget with: 1) the lease payment for an ambulance for the three (3) year schedule anticipated to be \$293,000.04 in principal amount with total interest of \$12,593.61 for a total payment of \$305,593.65; 2) the lease payment for bunker gear for the five (5) year schedule anticipated to be \$2,274,869.98 in principal amount with total interest of \$159,303.72 for a total payment of \$2,434,173.70 and 3) the lease payment for direct capture filtration systems, platform truck, and engine for the seven (7) year schedule anticipated to be \$4,313,160.37 in principal amount with total interest of \$446,948.43 for a total payment of \$4,760,108.80.

RECOMMENDATION:

Staff recommends approval of these ordinances authorizing the execution of Master Tax-Exempt Lease Purchase Agreements with Banc of America Public Capital Corp, JP Morgan, and Signature Public Funding Corp to provide Lease Purchase Financing.