



# City of San Antonio

## Agenda Memorandum

**File Number:**15-4300

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**Agenda Item Number:** 26B.

**Agenda Date:** 8/6/2015

**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 2015 Master Tax-Exempt Lease Purchase Agreement

### **SUMMARY:**

- A. This Ordinance approves the Master Tax-Exempt Lease Purchase Agreement with Santander Bank, N.A and an Escrow and Account Control Agreement with Santander Bank, N.A and Frost Bank, approves Exhibits and related Schedules to the Master Tax-Exempt Lease Purchase Agreement in the amount of \$8,670,289 for the acquisition of collection trucks and totes for the Solid Waste Management Department, breathing equipment and cameras for the Fire Department, and notebook computers for the Police Department.
- B. This Resolution authorizes the reimbursement of funds previously expended from the proceeds of the 2015 Master Tax-Exempt Lease Purchase Agreement entered into between the City of San Antonio and Santander Bank, N.A.

### **BACKGROUND INFORMATION:**

On June 8, 2015, 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 are most consistent with the City's objectives. The notification of the RFB was emailed to thirty-four (34) firms on June 8, 2015. On June 22, 2015, four (4) firms submitted bids. The results were as follows:

Firm	Toter and Notebooks 3-Year Rate
Santander Bank, N.A.	1.180%
US Bancorp Government Leasing and Finance, Inc.	1.183%
Pinnacle Public Finance	1.430%
JP Morgan Chase Bank, N.A.*	1.510%
Frost Bank	1.850%
JP Morgan Chase Bank, N.A.**	1.870%

\* JP Morgan Chase Bank, N.A. bid for toters.

\*\* JP Morgan Chase Bank, N.A. bid for notebook computers.

Firm	Trucks and Breathing Equipment and Cameras 5-Year Rate
Santander Bank, N.A.	1.49%
US Bancorp Government Leasing and Finance, Inc.	1.61%
JP Morgan Chase Bank, N.A.*	1.67%
Pinnacle Public Finance	1.70%
JP Morgan Chase Bank, N.A.**	1.71%
Frost Bank	2.05%

\* JP Morgan Chase Bank, N.A bid for collection trucks.

\*\* JP Morgan Chase Bank, N.A bid for breathing equipment and cameras.

The City contacted Santander Bank, N.A. 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 toters and notebook computers is three (3) years at an interest rate of 1.18%, and the financing term for the collection trucks and breathing equipment and cameras is five (5) years at an interest rate of 1.49%. Funds in the amount of \$8,670,289 will be deposited into an escrow account at Frost Bank on or before August 12, 2015. Lease proceeds of \$8,647,789 will be allocated to the purchase of the equipment and \$22,500 will be allocated to costs of issuance for a total amount of \$8,670,289. 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 Santander Bank, N.A. to provide Lease Purchase Financing for the aforementioned equipment is consistent with the Fiscal Year 2015 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, Fire Department, and Police Department. The proposed Lease Purchase Financing mechanism minimizes the impact of the expenditure in FY 2015 by allocating it out over 3-year and 5-year periods.

#### **FISCAL IMPACT:**

Payments will be made quarterly to Santander Bank, N.A. commencing on or about November 1, 2015.

The lease payments are anticipated to be made from the Solid Waste Management Department Operating Budget with: 1) the lease payment for the toters for the three-year schedule anticipated to be \$1,090,544 in principal amount with total interest of \$23,848 for a total payment of \$1,114,392; and 2) the lease payment for the collection trucks for the five-year schedule anticipated to be \$2,812,842 in principal amount, with total interest of \$120,510, for a total payment of \$2,933,352.

The lease payments for the breathing equipment and cameras are anticipated to be made from the Fire Department Operating Budget with the proposed payment for the five-year schedule anticipated to be \$4,325,758 in principal amount, with total interest of \$185,327, for a total payment of \$4,511,085.

The lease payments for the notebook computers are anticipated to be made from the Police Department Operating Budget with the proposed payment for the three-year schedule anticipated to be \$441,145 in principal amount, with total interest of \$9,647, for a total payment of \$450,792.

#### **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 Santander Bank, N.A. in the amount of \$8,670,289 for the financing of collection trucks and toters for the Solid Waste Management Department, breathing equipment and cameras for the Fire Department, and notebook computers for the Police Department and also recommends approval of this reimbursement resolution.