



Council Communication

Office of the City Manager

Date

May 5, 2008

Agenda Item No. 26
Roll Call No. 08-
Communication No. 08-242
Submitted by: Allen McKinley, Finance
Director/Treasurer

AGENDA HEADING:

Approving Master Lease-Purchase Agreement and Provider.

SYNOPSIS:

Recommend approval of Master Lease-Purchase Agreement and Provider; De Lage Landen, Frank Hill, Vice President of Sales, 2600 Grand Blvd. Ste. 380, Kansas City, MO 64108, is recommended as the City's provider for the Master Lease-Purchase Agreement for a three-year period with the option of two one-year renewals.

FISCAL IMPACT:

Amount:

Borrowing costs under the lease-purchase will be determined by the interest rate market at the time of the lease. The RFP sought an interest rate tied to the U.S. Treasury Note at the time of the borrowing. Proposers quoted rates as a fixed percentage of the U.S. Treasury Note as reported in the Wall Street Journal five days prior to closing. Lease-purchases do not count against the City's general obligation debt limit.

Source: N/A

ADDITIONAL INFORMATION:

In January 2008, Bank of America decided to no longer provide lease-purchase financing for the City. Bank of America indicated that their business plan no longer included a shorter term and smaller value lease-purchase program. Since the last award of the Master Lease-Purchase Agreement in 2004 with Bank of America, the City was contacted by many financial institutions indicating an interest in bidding at the expiration of the current Master Lease-Purchase Agreement. On February 12, 2008, Request For Proposals V08-056 was sent to 28 potential bidders and three (3) responded. A Proposal Evaluation and Selection Committee met to review and grade proposals based on the criteria set forth in the RFP. Evaluation criteria included experience and qualifications, financial capability, terms of agreement, and interest rate. De Lage Landen received the highest score, with Wells Fargo Brokerage Services and John Deere Credit also providing proposals.

The table below shows the percentage of the Treasury Note Rate to be used to determine lease-purchase interest rates, the Treasury Note Rate on March 5, 2008, and the interest rate the City would have paid if a lease supplement were executed on that date.

Term	U.S. Treasury Rate	De Lage Landen Rate Adjustment	Lease Rate
3-years	1.89%	161.9%	3.06%
4-years	2.19%	142.0%	3.11%
5-years	2.49%	131.3%	3.27%
6-years	2.71%	128.8%	3.49%
7-years	2.93%	121.8%	3.57%
8-years	3.14%	117.2%	3.68%
9-years	3.36%	112.5%	3.78%
10-years	3.58%	107.8%	3.86%

The advantages of using the Master Lease-Purchase Agreement include having a credit facility in place that allows financing of equipment on an as-needed basis instead of waiting until the annual general obligation bond issue each June, not incurring issuance costs, and flexibility in the repayment term which can be set for three to ten years, depending on the expected useful life of the equipment. In addition, the debt has been structured to not count against the City's general obligation debt limit.

PREVIOUS COUNCIL ACTION(S):

Date: October 25, 2004

Roll Call Number: 04-2279

Action: Master Lease-Purchase Agreement Form and Provider to Banc of America Leasing & Capital, LLC. (Council Communication No. 04-530) Moved by Hensley to approve. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Lease-purchase supplements as equipment needs arise.

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