

Energy Services Coalition Municipal Leasing

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Municipal Leasing

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Advantages of Leasing

- Customized payment plans to fit the organization's requirements
- Long-term fixed-rate financing
- No costly bond fees
- Non-appropriation clause
- Rapid acquisition of essential-use equipment
- Low tax-exempt interest rate
- 100% financing available, conserving cash
- Tailored terms to meet municipality's objectives

Types of Equipment Financed

- Energy Performance Contracts and Equipment
- Fire /Police Vehicles
- School Busses
- Medical Equipment
- Educational Equipment / Technology
- Highway / Road Equipment
- Emergency Communication Equipment
- Any “Essential Use” Equipment

Municipal Financing Alternatives

BANS (Bond Anticipation Notes)

1 year only

5 year total maximum term for BAN renewals

Yearly costs to renew

Not targeted to useful life of equipment

Low 1 year interest rates

Municipal Financing Alternatives

Bonds

- High cost of issuance
- Bond counsel and other fees
- Longer closing time
- Best for large, long term deals
- Low, long term interest rate
- Real Estate projects

Municipal Financing Alternatives

Municipal Leases

- Term matches useful life of equipment
- Payments can be tailored for EPCs
- Low fees
- Fixed interest rate for full term
- BQ or NBQ
- Essential use equipment
- Fast closing
- Not considered against Constitutional Debt Limit

Municipal Financing Alternatives

(Continued)

Municipalities should:

- Complete a detailed analysis of cost and expenses of each alternative to determine the best solution for a specific deal.
- Consider ALL costs to arrive at effective interest rate for each alternative including quantifying soft costs.
- Always keep options open!
 - Voter Referendums / Propositions – allow for ANY type of legally acceptable financing.
 - Resolutions – allow for ANY type of legally acceptable financing
 - RFPs / RFQs – ALWAYS ask for, or instruct your advisor to request lease quotes along with any other option you are considering on any equipment financing.

Municipal Financing Alternatives

(Continued)

Once an alternative is chosen, Municipality should:

- Consult with Counsel to ensure compliance with applicable laws and requirements.
- Segregate equipment/project cost from equipment financing.
- Structure the RFP to require disclosure of the interest rate and a specific index date to allow for easier bid comparison.

Basic Documentation Package

- Master Tax Exempt Municipal Lease – can be Bank Qualified or Non-Bank Qualified
- Payment schedule
- Equipment schedule
- Delivery and Acceptance Certificate
- Incumbency Certificate
- Resolution and Declaration of Official Intent
- Lessee Certificate
- Attorney Opinion Letter