

## CONSENT ITEM

**RE:** Pointe Mechanical System Financing

**DEPARTMENT:** Administration

**PROGRAM:** Finance

**RECOMMENDATION:** Staff recommends that the Board accept U.S. Bancorp's offer, which is the lowest of the three submitted bids. At this time staff is asking the Board to authorize the City to contract with U.S. Bancorp in the form of a tax exempt lease/purchase agreement for an amount up to \$2,000,000, with the final amount of the loan to be determined by staff after receipt of February sales taxes on or about February 7, 2014. Subject to this approval, a contract and resolution will be presented to the Board at the next scheduled Board of Aldermen meeting.

**EXPLANATION:** An RFQ was issued on December 23, 2013 for the tax-exempt lease/purchase financing of the replacement of the HVAC mechanical systems at The Pointe. It was sent to the following financial institutions: Baystone Financial Group, Commerce Bank, National Bank, Pulaski Bank, Reliance Bank, UMB Bank and U.S. Bancorp.

The City requested financing over a three year period with semi-annual payments in arrears in the amounts of \$2,000,000 and \$1,800,000. The lower amount was requested in the event that the City would have higher than expected sales tax receipts from the holiday season, and fewer funds would need to be borrowed.

The City budgeted \$345,000 for lease payments in 2014 and projected additional payments of \$1,725,000 in the Capital Improvement Plan over the remaining life of the lease. Payments over four years total \$2,070,000 and were calculated at an interest rate of 1.96%.

Three bids were received. The interest rate quoted by each bank did not vary depending on the amount to be financed. Payments stated below are based on the \$2M amount.

Commerce Bank: Interest rate – 1.395%  
Total payments over 3 years - \$2,049,107.82  
Prepayment options – May be prepaid in full but not in part; penalties apply unless the City uses internally generated funds.  
Costs – Escrow account fee of \$250 (if required).

Pulaski Bank: Interest rate – 1.62%  
Total payments over 3 years - \$2,057,081.17  
Prepayment options – May be prepaid in full or in part without penalty.  
Costs – Loan fee of \$2,500. Borrower shall pay all closing costs including recording, filing fees and legal fees.

U.S. Bancorp: Interest rate – 1.055%  
Total payments over 3 years - \$2,037,097.92  
Prepayment options – May prepay at any prepayment date for 100% of the remaining principal balance.  
Costs – None.

**SUBMITTED BY:** Denise Keller

**DATE:** January 7, 2014



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Government Leasing and Finance

January 3, 2014

City of Ballwin  
Attn: Denise Keller, Finance Officer  
14811 Manchester Rd.  
Ballwin, MO 63011

At your request, U.S. Bancorp Government Leasing and Finance, Inc. ("USBGLF") has prepared for your consideration the following proposal for financing ("Proposal"). **This is only a proposal and does not represent a commitment by U.S. Bancorp Government Leasing and Finance, Inc.**

<b>Customer:</b>	City of Ballwin						
<b>Lessor:</b>	U.S. Bancorp Government Leasing and Finance, Inc.						
<b>PROPERTY:</b>	HVAC mechanical systems						
<b>EXPIRATION:</b>	March 1, 2014						
<b>LEASE QUOTE:</b>	<b>Amount</b>	<b>Rate</b>	<b>Payments</b>	<b>Factor</b>	<b>Pmts / Year</b>	<b>Term</b>	<b>Adv. / Arr.</b>
<b>Option A</b>	2,000,000.00	1.029%	339,361.50	0.1696808	2	3 Years	Arrears
	1,800,000.00	1.029%	305,425.35	0.1696808	2	3 Years	Arrears
<b>Option B</b>	2,000,000.00	1.055%	339,516.32	0.1697582	2	3 Years	Arrears
	1,800,000.00	1.055%	305,564.69	0.1697582	2	3 Years	Arrears

Notes: Option A – The City may prepay at any payment date for 103% of the remaining principal balance. Option B – The City may prepay at any prepayment date for 100% of the remaining principal balance. See amortization tables. **There are no fees associated with this offer including the establishment and use of a U.S. Bank N.A. escrow account should one be required.**

The Lease will be structured as a tax-exempt municipal lease, with title in the Lessee's name and USBGLF holding a security interest in the equipment during the term. The lease is "triple-net" with the Lessee responsible for taxes, maintenance and insurance. Documentation will be provided by USBGLF, including (i) standard representations, warranties and covenants by the Lessee pertaining to the accuracy of information, organization, authority, essential use, compliance with laws, pending legal action, location and use of collateral, insurance, financial reporting and financial covenants; and (ii) standard USBGLF provisions pertaining to events of default and remedies available upon default. This offer is subject to the execution of all documentation by the Lessee within a reasonable time and in form and substance acceptable to Lessee, USBGLF and USBGLF's counsel, including terms and conditions not outlined in this Proposal.

This Proposal is conditioned on there being no material adverse change in the financial condition of the Lessee. Additionally, the terms and conditions outlined herein are subject to final review and approval (including collateral and essential use review) by USBGLF's business, legal, credit, and equipment risk management personnel.

Sincerely,  
*Tasha Barreau*

Tasha Barreau  
Vice President



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ACCEPTANCE:

By accepting this Proposal, Lessee acknowledges that this Proposal does not represent a commitment to provide financing but only outlines general terms and conditions of the USBGLF's financing program currently available to qualified lessees.

ACCEPTED BY:

Name / Title

dated:

Payment Tables

Assumes a lease commencement of February 12, 2014

OPTION A:

Totals 2,036,169.02 2,000,000.00 36,169.02 0.00 0.00

Table with 7 columns: Pay #, Date, Payment, Principal, Interest, Prepayment Balance, Ending Balance. Rows 1-6 and Totals.

Table with 7 columns: Pay #, Date, Payment, Principal, Interest, Prepayment Balance, Ending Balance. Rows 1-6.



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OPTION B:

<b>Totals</b>	2,037,097.92	2,000,000.00	37,097.92	0.00	0.00
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<u>Pay #</u>	<u>Date</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Prepayment Balance</u>	<u>Ending Balance</u>
1	15-Aug-2014	339,516.32	328,963.20	10,553.12	1,671,036.80	1,671,036.80
2	15-Feb-2015	339,516.32	330,698.99	8,817.33	1,340,337.82	1,340,337.82
3	15-Aug-2015	339,516.32	332,443.94	7,072.38	1,007,893.87	1,007,893.87
4	15-Feb-2016	339,516.32	334,198.11	5,318.21	673,695.77	673,695.77
5	15-Aug-2016	339,516.32	335,961.52	3,554.80	337,734.24	337,734.24
6	15-Feb-2017	339,516.32	337,734.24	1,782.08	0.00	0.00

<b>Totals</b>	1,833,388.13	1,800,000.00	33,388.13	0.00	0.00
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<u>Pay #</u>	<u>Date</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Prepayment Balance</u>	<u>Ending Balance</u>
1	15-Aug-2014	305,564.69	296,066.88	9,497.81	1,503,933.12	1,503,933.12
2	15-Feb-2015	305,564.69	297,629.09	7,935.60	1,206,304.03	1,206,304.03
3	15-Aug-2015	305,564.69	299,199.55	6,365.14	907,104.48	907,104.48
4	15-Feb-2016	305,564.69	300,778.29	4,786.39	606,326.19	606,326.19
5	15-Aug-2016	305,564.69	302,365.37	3,199.32	303,960.82	303,960.82
6	15-Feb-2017	305,564.69	303,960.82	1,603.87	0.00	0.00