

**CITY OF LEXINGTON
WORKSHOP AGENDA
Thursday, June 21, 2018
Immediately following Council meeting
City Hall**

1. Call to Order: Mayor Kurth
2. Roll Call: DeVries – Hughes – Harris - Murphy
3. Discussion Items:
 - Discuss Lease Purchase Agreement financing of firefighters turnout gear
pp. 1-6
4. Staff Input
5. Council Input
6. Adjourn



Lease Purchase Basics

What is a "Lease-Purchase Agreement"?

Is it a lease, installment purchase, loan, collateral loan? What is it exactly?

It's not a "Lease". A municipal lease purchase agreement is a common and useful financing tool for capital equipment purchases such as fire trucks and equipment, snow plows, police cars, dump trucks, etc.

It's called a lease purchase agreement (or "installment purchase" depending on the state in which you reside) to comply with state municipal laws that restrict loans and bond financing.

A Municipal Lease Purchase agreement is NOT the same as a personal car lease. In order to qualify as a Municipal Lease Purchase, the intent has to be ownership and has to include a principal and interest column within the contract. Generally speaking, it is structured with NO residual or balloon payments at the end of the contracts.

A Municipal Lease Purchase Agreement is very similar to a traditional loan in that:

1. You are considered the owner and responsible for such things as maintaining and insuring the equipment.
2. You make payments (subject to annual appropriation) to a lending institution for the duration of the lease.
3. There is a lien placed on the equipment which is released without fee, residual payment, or any additional payments after all the contract payments have been paid.

It's not a "Loan". A Municipal Lease Purchase Agreement was created to provide local communities with a financing option to finance and purchase capital equipment without the costly, unpredictable and time consuming requirements that exist with a traditional bond financing or a fixed term loan. A lease purchase agreement qualifies for low tax-exempt interest rates and in most states requires no voter approval and is not subject to debt limitations.

This is all possible due to the annual appropriation requirement used by municipal lease purchase agreements. This clause permits (in most states) the lease purchase payments to be considered a current expense and not a long term debt.

Municipal Lease Purchase Agreements Provide:

1. Tax-exempt municipal interest rates
2. Fixed payment structures
3. Collateral vested in capital equipment
4. Eliminates large upfront cash outlays for legal costs, issuance costs, etc.
5. Simple, straight forward documentation
6. Ownership of the capital equipment



Benefits of Lease Purchase Financing

A Simple, Cost Effective Alternative

Many Cities, Counties, Towns, Districts, and other political subdivisions are faced with pressure that occurs when **demands for their services** outpace their financial resources. In recent times, this pressure has become even more burdensome.

In order to keep up with a regular equipment replacement schedule, municipal organizations have to become **more creative** in finding alternatives to simply using their capital reserves to purchase their much needed equipment.

To cope with this problem, many political subdivisions are turning to an alternative that has long been recognized as a source of funding for capital expenditures - ***Lease Purchase Financing***.

Advantages of lease purchase financing: Developing a lease purchase plan is attractive because it offers political subdivisions a number of **advantages**.

- Eliminates the need for large, up-front cash outlays.
- Enables cities, counties, districts, and volunteer fire departments to take advantage of low interest rates available to qualified political subdivisions.
- Allows an organization to purchase equipment at today's prices, not next year's *increase*.
- Eliminates the financial and operational challenge of keeping worn out or obsolete equipment in service.
- Maximizes limited budget funds. Buy today, finance today, and defer payment into next year's budget.
- Frees up additional capital for other pressing needs.
- Provides the municipality with a fixed, locked in payment and interest rate which simplifies the budgeting process.

Typical Finance Terms and Options:

Municipal Vehicles: 1 to 5 years, (certain equipment types, terms extended to 8-years)
No Down Payment Options
Deferred Annual, Semi-Annual, Quarterly, Monthly Payment Options

Fire Apparatus: 1 to 15 years
No Down Payment Options
Deferred Annual, Semi-Annual, Quarterly, Monthly Payment Options

Real Property/Additions:
1 to 20 Years
Annual, Semi-Annual, Quarterly, Monthly Payment Options



What Can Be Financed Through Lease Purchase Financing?

EQUIPMENT TO FINANCE	CONDITION	TYPICAL TERMS
Buses	New	1-7 years
Fire Apparatus	New	1-15 years
Fire Apparatus	Used or Refinance	Contact Us
Ambulances	New	1-5 years
SCBAs	New	1-7 years
(PPE) Turnout Gear	New	1-5 years
Police Cars	New	1-5 years
Snow Plows/Dump Trucks	New	1-7 years
Public Works Vehicle, light duty	New	1-5 years
Public Works Vehicle, heavy duty	New	1-7 years
Thermal Imaging Cameras	New	1-3 years
Fire Chief Vehicles/Support Trucks	New	1-5 years
Construction Type Vehicles or Equipment	New	1-7 years
Misc. Equipment (Hoses, Radios, etc.)	New	1-5 years
Real Property (Fire Stations, Substations, Municipal Buildings)	New or Refinance	Contact Us

Division of Community First National Bank
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888.777.7850 phone
888.777.7875 fax

website
www.clpusa.net

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Down Payment
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☐ Vehicle Lease ☐ Equipment Lease

☐ My organization is independent, non-profit

ESTIMATE PAYMENTS >

Questions? Give us a call (888) 777-7850
This calculator is for informational purposes only. Payments are calculated...



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Quick Online Financing Payment Estimator

- Check estimates for vehicles and equipment
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- Access other useful information on financing and CLP

Community Leasing Partners specializes in **tax-exempt, lease purchase financing** for municipalities and fire departments. Fire trucks, ambulances, buses and other essential equipment can be financed with a **flexible payment structure and no large, up-front, cash outlay.**

Our financing team brings 100+ years of combined experience and has provided nearly one billion dollars of financing.

visit **CLPUSA.net**
or call **(888) 777-7850**



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May 16, 2018

Customer Name: City of Lexington, MN (Fire Department)

Equipment: Twenty (20) Sets of PPE (turnout gear)
Delivery: to be determined

Community Leasing Partners, a Division of *Community First National Bank*, is pleased to present the following financing options for your review and consideration.

Option 1

Total Cost:	\$ 48,000.00	Payment Frequency:	Annual
Down Payment:	\$ -	First Payment:	One Year from Closing
Trade In:	\$ -		
Amount Financed:	<u>\$ 48,000.00</u>		
Term in Years:	<u>3</u>	<u>4</u>	<u>5</u>
Payment:	\$17,377.04	\$13,306.03	\$10,871.44
Interest Rate:	4.24%	4.26%	4.29%

Option 2

Total Cost:	\$ 48,000.00	Payment Frequency:	Annual
Down Payment:	\$ 4,800.00	First Payment:	One Year from Closing
Trade In:	\$ -		
Amount Financed:	<u>\$ 43,200.00</u>		
Term in Years:	<u>3</u>	<u>4</u>	<u>5</u>
Payment:	\$15,639.33	\$11,975.43	\$9,784.30
Interest Rate:	4.24%	4.26%	4.29%

- **THERE ARE NO DOCUMENTATION OR CLOSING FEES ASSOCIATED WITH THIS PROPOSAL.**
- Fixed interest rate for the terms provided unless otherwise stated.
- This financing is to be executed within 30 days of the date of the proposal or Lessor reserves the right to adjust the interest rate. The proposal is subject to credit review and approval and mutually acceptable documentation.
- This proposal has been prepared assuming the lessee is bank qualified and that the proposed lease qualifies for Federal Income Tax Exempt Status for the Lessor under Section 103 of the IRS Code.

Thank you for allowing Community Leasing Partners the opportunity to provide this proposal. If you have any questions regarding the options presented, need additional options, or would like to proceed with a financing, please contact me at 1-877-525-1776.

Respectively,
David R. Fike
Director - Business Development
davefike@clpusa.net

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