

# BOARD OF ALDERMEN

ITEM NO. D(1)

## AGENDA ITEM ABSTRACT

**MEETING DATE: March 4, 2003**

**TITLE: Public Hearing on the Financing of the Parking Lot & Vehicles**

<b>DEPARTMENT: Management Services</b>	<b>PUBLIC HEARING: YES <u>x</u> NO <u>  </u></b>
<b>ATTACHMENTS:</b> <b>A: Resolution Awarding Financing to SunTrust</b> <b>B: Budget Amendment</b> <b>C: Analysis of Proposals Submitted by Banks</b>	<b>FOR INFORMATION CONTACT:</b> <b>L. Bingham Roenigk, 918-7300</b>

### PURPOSE

The purpose of this item is to hold a public hearing to receive public comment on the proposed installment financing of the parking lot parcel located at the intersection of Sunset and Rosemary Streets. The Board is requested to approve the Town's recommendation that SunTrust Leasing Corporation finance the parking lot and vehicles and to approve a resolution to enable execution of the financing with SunTrust Leasing Corporation. A budget amendment is required to allocate funding within the appropriate cost centers.

### INFORMATION

On February 4, 2003, staff advised the Board that lease purchase financing is the most desirable option for funding the purchase of the land for the parking lot. State law (NC Statutes 160A-20(g)) requires that the Town conduct a public hearing when funds are borrowed to purchase real estate. The amount to be borrowed for the parking lot purchase is \$114,100, including taxes.

A notice of the public hearing was published on February 16<sup>th</sup>, at least 10 days before the public hearing as required by law. Meanwhile, the Management Services Department sought proposals from banking institutions to get quotes on debt financing.

Annually, the Town solicits installment-financing proposals from banks to finance purchases for the town's vehicles and large equipment needs. The Town is not required by law to request proposals but does so to ensure competitive financing. Staff, as a measure of efficiency and to ensure as low as interest rate as possible, combined the annual vehicle financing with the proposed land financing borrowing a total of \$338,139. Request-for-proposals were sent to 14 banking and financing institutions, 5 responded.

Staff, in preparing the request-for-proposal for financing, requested banks to submit one proposal for vehicles with the standard three-year loan term and two different loan terms for financing the land (five-year and ten-year loan). Normally, when purchasing land, staff requests a ten or fifteen-year loan term. However, due to the small amount of the loan, staff requested different term lengths.

Based on the low interest rates, relatively low debt cost of financing over a five-year period (both principal and interest), and due to fact that sufficient funds within the General Fund are available to finance the land and equipment, staff recommends a five-year loan term for the land. The first annual payment is \$22,820. In following years, the debt payment for land will peak at \$25,020 in FY03-04 and

decline each year thereafter. Police vehicles and the street sweeper financed with lease proceeds cost less than budgeted, allowing the town to experience savings on both the full cost estimated for the vehicles and on lease payments incurred. Thus, capital reserves set aside for future parking land debt payments will remain unused in the FY02-03 year.

Of primary importance in evaluating the proposals were the proposed financing structures, interest rates offered, total financing cost and the ability of the banking institution to close by March 21 or sooner to take advantage of the low interest rate. SunTrust offered the lowest financing cost for the combined purchase of land and equipment (see Attachment C) and can close by March 21. Thus, the Town, with Board approval, will be entering into a lease-purchase contract with SunTrust for the installment purchase financing of the parking lot and vehicles.

#### ADMINISTRATION'S RECOMMENDATION

The Board is requested to accept comments from the public hearing regarding financing of the parking lot and to approve lease-purchase installment financing for the parking lot and vehicles. In addition, it is recommended that the Board of Aldermen approve the attached resolution designating the installment purchase contracts as tax-exempt obligations of the Town and to award the financing contract to SunTrust for the installment purchase of the parking lot and vehicles. The Board is also requested to approve the budget amendment allocating funds to finance the vehicle and land purchases.

