

# BOARD OF ALDERMEN

ITEM NO. B(2)

## AGENDA ITEM ABSTRACT

MEETING DATE: March 2, 2004

**TITLE: Request to Approve Equipment and Vehicle Financing**

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

### PURPOSE

Annually, the Board of Aldermen, through its capital improvement plan, approves a schedule that provides for the purchase and replacement of vehicles and equipment through lease purchase financing. The Board of Aldermen is requested to adopt a resolution designating the installment purchase contracts for items listed below as tax-exempt obligations of the Town. This resolution represents the installment financing planned and budgeted for FY03-04. A budget amendment is needed to reflect the adjustments needed for lease purchase financing.

### INFORMATION:

The Town solicited a financing proposal to banks for a total of \$543,192. The Town is not required by law to request proposals but does so to ensure competitive financing. A request for proposal to finance these purchases was submitted to 12 banks and brokers; six responded. The list of items to be financed over a three-year loan term includes:

Vehicles	Amount
Patrol Vehicles (4)	\$ 83,569
Police – Administrative Car (1)	\$ 21,986
Safety Officer Car – Fire (1)	\$ 16,906
Side Loader Refuse Truck - PW (1)	\$157,892
Pool Car –PW (1)	\$ 13,180
Dump Truck – PW (1)	\$ 41,851
Pickup Truck – PW (1)	\$ 23,036
Ballfield Lights – P& R	\$ 82,000
Fleet Main/IT (1)	\$ 39,750
Recreation Registration Software – P& R	\$ 63,022
<b>Total Vehicles &amp; Equipment</b>	<b>\$543,192</b>

Of primary importance in evaluating the proposals were the effective interest rates offered and the total financing cost. Analysis of the proposals reveals that Centura Bank (Option A) offers the most competitive financing arrangement. Centura Bank offered the most competitive interest rate at 1.91% and had a \$350 out-of-pocket cost for banking fees. Thus, the Town, with Board approval, will be entering into a lease-purchase contract with Centura Bank for the installment purchase financing town purchases over a three-year period. A budget amendment is needed to reflect overall savings as well as adjustments by departments for various purchases and lease payments. The Town saved approximately \$23,000 on vehicle and equipment purchases and \$15,000 on lease payments costs due to borrowing an amount less than budgeted and due to lower than anticipated interest rates.

One notable project that was not financed this year is the street resurfacing of Quail Roost Drive (\$78,000) that has been delayed pending resolution of bond-funded sidewalk design and construction that will ultimately affect how the street is resurfaced. The amount set aside for the lease payment of this project will be set aside at year end and used toward financing the Quail Roost Drive resurfacing in the upcoming budget.

ADMINISTRATION'S RECOMMENDATION

The Board of Aldermen is requested to introduce and approve the attached resolution designating the installment purchase contracts as tax-exempt obligations of the Town, award the financing contract to Centura Bank for the equipment and vehicle purchases listed, and authorize Bing Roenigk to execute the financing. In addition, the Board is requested to approve a budget amendment reflecting the overall savings of the installment financing.