

BOARD OF ALDERMEN

ITEM NO. C(7)

AGENDA ITEM ABSTRACT

MEETING DATE: June 6, 2006

TITLE: Request to Approve Equipment and Vehicle Financing Proposal

DEPARTMENT: Management Services	PUBLIC HEARING: YES ____ NO <u>x</u>
ATTACHMENTS: A. Resolution Awarding Financing to Mechanics and Farmers Bank B. Budget Amendment C. Analysis of Proposals Submitted by Banks	FOR INFORMATION CONTACT: Sandy Svoboda, Purchasing Officer, 918-7301

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 FY05-06. 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 \$1,092,846. 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 17 banks and brokers; 7 responded. The list of items to be financed over a five-year loan term includes:

Vehicles & Equipment	Amount
Police Investigations vehicle	\$ 25,900
Patrol Vehicles (6)	\$ 144,000
S.W Side Loading Refuse Truck	\$ 202,400
Planning and Zoning Honda Hybrid	\$ 21,815
Management Services Van	\$ 15,521
Simpson Street, Playground Equipment	\$ 22,040
Wilson Park, Ball Field Lights, + 1 Pole, Anderson Park	\$ 63,000
Fire Truck	\$ 421,518
Anderson Park, Preschool Playground	\$ 22,960
Patrol Vehicle Mobile Data Workstations (6)	\$ 63,071
¾ Ton Pickup Truck, Street Division	\$ 30,621
Fire Alarm Systems - Town Hall / Public Works	\$ 60,000
Total Vehicles & Equipment	\$ 1,092,846

Of primary importance in evaluating the proposals were the effective interest rates offered and the total financing cost. Analysis of the proposals reveals that Mechanics and Farmers Bank offers the most competitive interest rate of 3.6 % and most competitive financing arrangement. Thus, the Town, with Board approval, will be entering into a lease-purchase contract with Mechanics and Farmers Bank for the installment purchase financing town purchases over a five-year period. The Town is borrowing \$1,092,846, less than the budgeted \$1,345,700 due to changes in purchasing decisions, savings on purchases, and delay in project implementation. The changes in purchasing decisions include addition of equipment for the fire truck, and elimination of a front load refuse truck due to changes in vehicle technology. Two projects, the fire escape installation at Town Hall and the sewer outfall line for the northern transition area, due to timing and workload issues, are planned for financing in the upcoming FY06-07 budget. The engineering costs associated with the sewer outfall project have been expended or committed in the current year. However, it is recommended that this remain a current year expense and not be borrowed. The savings in debt service costs are sufficient to absorb this cost in the current year budget. The lower cost of equipment as well as lower than anticipated interest rates have resulted in lower annual debt payment, representing a savings of \$ 59,672, of which \$25,000 will be used to offset engineering costs.

STAFF 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 Mechanics and Farmers Bank for the equipment and vehicle purchases listed, and authorize the Finance Officer to execute the financing. In addition, the Board is requested to approve a budget amendment reflecting the overall savings of the installment financing.

