

# BOARD OF ALDERMEN

ITEM NO. C(3)

## AGENDA ITEM ABSTRACT

MEETING DATE: June 15, 2010

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

<b>DEPARTMENT:</b> Management Services	<b>PUBLIC HEARING:</b> YES ____ NO <i>x</i>
<b>ATTACHMENTS:</b> Attachment A: Resolution Awarding Financing to SunTrust Attachment B: Analysis of Proposals Submitted by Banks	<b>FOR INFORMATION CONTACT:</b> Nancy Emslie, Accounting Officer 918-7306

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 FY09-10.

INFORMATION: The Town solicited a financing proposal to banks for a total of \$617,955. 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 14 banks and brokers; 4 responded. The list of items to be financed over a five-year loan term includes:

<b><i>FY 09-10 Purchases to be funded with Installment Debt:</i></b>			
<b>REPLACE OR NEW</b>	<b>DEPARTMENT</b>	<b>VEHICLE/EQUIPMENT DESCRIPTION</b>	<b>COST</b>
Replacement	Police	Investigations Vehicle - replace vehicle #197	\$ 26,544
New	Fire	Equipment for Fire Truck	\$ 113,000
Replacement	Public Works	Solid Waste - full-size pick up - replaces vehicle #47	\$ 27,424
Replacement	Public Works	Solid Waste - front-end loader - replaces vehicle #50	\$ 218,453
Replacement	Public Works	Streets - utility truck - replaces vehicle #38	\$ 41,034
Replacement	Public Works	Fleet Maintenance - Hybrid Sedan - replaces vehicle #220	\$ 27,000
Replacement	Public Works	Central Services - pick up - replaces vehicle #14	\$ 22,000
Replacement	Inspections	Small pick up - replaces vehicle #137	\$ 15,000
Replacement	Inspections	Small pick up - replaces vehicle #136	\$ 15,000
New	Police	Patrol Vehicles (1)	\$ 30,000
Replacement	Recreation	Bleacher Replacements	\$ 52,500
Replacement	Fire	Mid-size vehicle - replaces vehicle #984	\$ 30,000
		<b>TOTAL</b>	<b>\$ 617,955</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 SunTrust Banks, Inc. (SunTrust) offers the most competitive interest rate of 2.235% for 5-year financing and the most competitive financing arrangement. Thus, the Town, with Board approval, will be entering into a lease-purchase contract with SunTrust for the installment purchase financing town purchases over a five-year period. All though RBC Bank's Build America Bond Program (BAB) offers the lowest effective rate of 1.9435%, the program is not guaranteed to be in place for the duration of the loan. If the BAB program was suspended, the rate would increase to 2.99%. In addition, the Town of Carrboro has not had any experience with this type of lending program. The Town, due to savings in equipment and vehicle purchases overall, is borrowing \$2,541 less than what was originally budgeted and transferred.

## **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 SunTrust for the equipment and vehicle purchases listed, and authorize the Finance Officer to execute the financing.

Resolution Approving Financing Terms

**WHEREAS:** The Town of Carrboro (“Town”) has previously determined to undertake a project for various vehicles and equipment (the “Project”), and the Finance Officer has now presented a proposal for the financing of such Project.

**BE IT THEREFORE RESOLVED, as follows:**

1. The Town hereby determines to finance the Project through SunTrust Banks, Inc. (“SunTrust”), in accordance with the proposal dated June 2, 2010. The amount financed shall not exceed \$617,955.00, the annual interest rate (in the absence of default in tax status) shall not exceed 2.235%, and the financing term shall not exceed five (5) years from June 23, 2010.
2. All financing contracts and all related documents for the closing of the financing (the “Financing Documents”) shall be consistent with the foregoing terms. All officers and employees of the Town are hereby authorized and directed to execute and deliver any Financing Documents, and to take all such further action as they may consider necessary or desirable, to carry out the financing of the Project as contemplated by the proposal and this resolution. The Financing Documents shall include a Financing Agreement and Deed of Trust and Project Fund Agreement as SunTrust may request.
3. The Finance Officer is hereby authorized and directed to hold executed copies of the Financing Documents until the conditions for the deliver of the Financing Documents have been completed to such officer’s satisfaction. The Finance Officer is authorized to approve changes to any Financing Documents previously signed by Town officers or employees, provided that such changes shall not substantially alter the intent of such documents or certificates from the intent expressed in the terms executed by such officers. The Financing Documents shall be in such final forms as the Finance Officer shall approve, with the Finance Officer’s release of any Financing Document for delivery constituting conclusive evidence of such officer’s final approval on the Documents final form.
4. The Town shall not take or omit to take any action the taking or omission of which shall cause its interest payments on this financing to be includable in the gross income for federal income tax purposes of the registered owners of the interest payment obligations. The Town hereby designates its obligations to make principal and interest payments under the Financing Documents as “qualified tax-exempt obligations” for the purpose of Internal Revenue Code Section 265(b) (3).
5. The Town intends that the adoption of this resolution will be a declaration of the Town’s official intent to reimburse expenditures for the project that is to be financed from the proceeds of the SunTrust financing described above. The Town intends that funds that have been advanced, or that may be advanced, from the Town’s general fund, or any other Town fund related to the project, for project costs may be reimbursed from the financing proceeds.
6. All prior actions of Town officers in furtherance of the purposes of this resolution are hereby ratified, approved and confirmed. All other resolutions (or parts thereof) in conflict with this

resolution are hereby repealed, to the extent of the conflict. This resolution shall take effect immediately.

Approved this 15th day of June, 2010.

By: \_\_\_\_\_  
(Clerk)

By: \_\_\_\_\_  
(Mayor)

[SEAL]