



Legislation Text

File #: ID#17-3247, **Version:** 1

SUBJECT/RECOMMENDATION:

Approve an addendum to The Bancorp Bank (dba Mears Motor Leasing) Master Lease Agreement to increase the total available credit line from \$24,728,010 to \$45,000,000; require all financed items to have a unique identifiable number (i.e. VIN or serial number); and change the interest rate on draws amortized over 3 years to the 3-Year Treasury Constant Maturity Rate (3-year CMT) plus 1.00%; and authorize the appropriate officials to execute same. (consent)

SUMMARY:

The City utilizes Lease Purchase financing to finance the purchase of major pieces of equipment such as vehicles, heavy construction equipment, and some specialized electronic systems. Financing is generally amortized over a 5-year period with the exception of computer type purchases which are amortized over a 3-year period.

The Council previously approved a master agreement with The Bancorp Bank to provide a credit line of \$24,728,010 for the period covering fiscal years 2014 thru fiscal 2018.

The original credit line limit has been nearly exhausted after the first 3 years of the agreement term.

This addendum increases the available credit line by approximately \$20.3 million to a maximum total of \$45,000,000 for the five years of the agreement.

The new requirement for VIN/serial # may negatively impact the ability to lease purchase finance projects such as Network Equipment purchases and the Disaster Recovery Upgrade Project.

3-year CMT rates will change from current rates of 2.0% when 3-year CMT rates are at 3% or lower, 2.49% when 3-year CMT rates are 3%-5%, and a maximum 3% when 3-year CMT rates exceed 5%; to simply be the 3-Year CMT rate plus 1.00% in all instances.

The interest rate on financings amortized over a 5-year period is unchanged and financings amortized over a 3-year period will increase by approximately a half of a percentage point (.0043), at current interest rate levels. Based on the current 3-year CMT rate, the interest rate the City would be charged for a 3-year financing would increase from 2.0% to 2.43%. The current rate for a 5-year financing would remain at 2.00%. 3-year financings account for less than 5% of the City's total lease purchase financings and can be replaced with internal loans from the Central Insurance Fund as appropriate.