



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 40

Agenda Date: December 15, 2022

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Authorizing the Execution of the 2022 Master Tax-Exempt Lease Purchase Agreement for Solid Waste Equipment.

SUMMARY:

This ordinance approves the Master Tax-Exempt Lease Purchase Agreement for Solid Waste refuse collection containers with JP Morgan Chase Bank, N.A. and an Escrow and Account Control Agreement with JP Morgan Chase Bank, N.A. and Frost Bank; and approves Exhibits and related Schedules to the Master Tax-Exempt Lease Purchase Agreement. The lease payments are anticipated to be made from the Solid Waste Operating and Maintenance Fund with the lease payment for carts, for the seven (7) year schedule anticipated to be \$4,423,000.00 in principal amount with total interest of \$658,598.86 for a total payment of \$5,081,598.86. Funding of \$380,858.10 for the first year of this contract is available through the FY 2023 Solid Waste Maintenance Fund. Funding for subsequent years is contingent upon City Council approval of the annual budget.

BACKGROUND INFORMATION:

On October 24, 2022, the City released a Request for Bid ("RFB") for a Tax-Exempt Equipment Lease/Purchase Financing Agreement for Solid Waste refuse collection containers. The lease was

to be awarded to the firm that provided the lowest interest rate producing the lowest interest cost to the City over the life of the lease and whose terms and conditions of the proposed lease were most consistent with the City's objectives. The notification of the RFB was emailed to eighteen (18) firms on October 24, 2022, and on November 9, 2022, five (5) bids were received. The results were as follows:

Firm	Solid Waste and Fire Equipment 7-Year Rate
JP Morgan Chase Bank, N.A	3.824%
Webster Bank National Association	3.965%
KS State Bank	4.133%
Bank Funding, LLC	4.220%
Frost Bank	4.500%

The City contacted JP Morgan Chase Bank, NA for the contract negotiation process because it was determined that they had the lowest interest cost and terms and conditions of the proposed leases that were most consistent with the City's objectives.

The financing term with JP Morgan Chase Bank, N.A. is seven (7) years at an interest rate of 3.824%. Funds in the amount of \$4,423,000.00 will be deposited into an escrow account at Frost Bank on or before December 20, 2022. Lease proceeds of \$4,397,410.00 will be allocated to the purchase of the equipment and \$25,590.00 will be allocated to costs of issuance for a total amount of \$4,423,000.00. Pending final acceptance of the equipment, the funds will be invested with interest earnings accruing for the benefit of the City. Payment for the equipment will be made to the respective vendor when final acceptance is provided in writing by the applicable City department and the Finance Department.

ISSUE:

The utilization of JP Morgan Chase Bank, N.A to provide Lease Purchase Financing for the aforementioned equipment is consistent with the Fiscal Year 2023 Adopted Budget, the City's bidding policies, and previous actions to obtain similar financings.

ALTERNATIVES:

An alternative to this financing mechanism would be to fund these expenses out of the operating budget of the Solid Waste Management Department. The proposed Lease Purchase Financing mechanism minimizes the impact of the expenditure in FY 2023 by allocating it out over a seven-year period.

FISCAL IMPACT:

This ordinance authorizes payments that will be made quarterly to JP Morgan Chase Bank, N.A commencing on or about February 1, 2023.

Funding is available from the FY 2023 Solid Waste Operating and Maintenance Fund in the amount of \$380,858.10. Funding for subsequent years of the lease is contingent on City Council approval of the annual budget. The lease payments for the seven (7) year schedule totals \$4,423,000.00 for the principal amount and interest of \$658,598.86 for a total payment of \$5,081,598.96.

RECOMMENDATION:

Staff recommends approval of this ordinance authorizing the execution of Master Tax-Exempt Lease Purchase Agreement with JP Morgan Chase Bank, N.A to provide Lease Purchase Financing.