



City Manager's Report
January 24, 2017 City Council Meeting
Prepared by: Dave Warren, Director of Finance
Item #: 12.7

Subject: Adopt a Resolution:

1. Awarding a capital lease agreement to KS State Bank/Baystone Government Finance in the amount of \$623,382.18 for a term of 3.63 years and an annual interest rate of 2.76% to refinance the existing City Hall capital lease with Orix Public Finance, LLC; and
2. Authorizing the City Manager to negotiate and execute the said capital lease agreement and any other documentation related to the said refinancing.

Background:

At its meeting held on March 22, 2005, the City Council approved a fifteen-year capital lease agreement with Orix Public Finance, LLC (OPF) in the amount of \$2,052,000 to construct tenant improvements and exterior improvements to the current City Hall located at 3101 Center Street (Resolution No. 7244). Due to the preferable terms available through the capital lease market presently, staff issued a Request for Proposal (RFP) on November 10, 2016 to refinance the existing capital lease. The RFP closed on December 2, 2016, and the City received proposals from seven reputable lending institutions. Tonight, staff is recommending the City Council to award a capital lease agreement to KS State Bank/Baystone Government Finance (KSSBBGF) in the amount of \$623,382.18 for a term of 3.63 years and an annual interest rate of 2.76% to refinance the existing City Hall capital lease with Orix Public Finance, LLC.

Discussion:

The existing lease has an annual interest rate of 5.08%. The proposed lease with KSSBBGF has an annual interest rate of 2.76% or 2.32 percentage points less than the existing lease. The City has the option to prepay or refinance the existing lease with OPF by giving 30-day notice before the next payment date, which is due on April 1, 2017. As of April 1, 2017, the existing lease has a remaining term of 3.50 years and a principal amount of \$623,382.18. Below is a summary of the proposals the City received:

Firm	Interest Rate	Pre-payment Provisions	Appraisal Required?	Documentation Fee	Placement Fee	Estimated Appraisal Fee	Estimated Interest Expense	Estimated Interest Plus Fees
Holman Capital Corporation	2.50%	Callable	No	\$20,000.00	\$ -	\$ -	\$ 34,603.50	\$ 54,603.50
Brandis Tallman LLC/City National Bank	1.92%	Non-Callable	No	10,000.00	12,500.00	-	26,594.39	49,094.39
Advantage Financial LLC	3.09%	Callable	Yes	-	-	4,000.00	41,840.15	45,840.15
Brandis Tallman LLC/Capital One Public Funding	2.30%	Non-Callable	No	-	12,500.00	-	31,429.83	43,929.83
Brandis Tallman LLC/Zions Bank	2.05%	Non-Callable	No	-	12,500.00	-	27,975.32	40,475.32
Brandis Tallman LLC/BB&T	1.85%	Non-Callable	No	-	12,500.00	-	25,218.39	37,718.39
KS State Bank/Baystone Government Finance	2.76%	Callable	No	-	-	-	37,153.29	37,153.29

As you can see, KSSBBGF had the lowest responsive and responsible bid.

With the existing capital lease, the City would pay \$64,269 in interest between April 1, 2017 and October 1, 2020. With the proposed capital lease with KSSBBGF, the City would pay \$37,153 during the same period thereby saving \$27,116 in interest expense (attached is a copy of the proposed amortization schedule). The annual debt service on the existing capital lease is \$196,472. The annual debt service for the proposed capital lease with KSSBBGF is \$188,724 or \$7,748 less than the existing capital lease.

Options:

1. Adopt the resolution awarding a capital lease agreement to KSSBBGF as presented.
2. Direct staff to negotiate other terms with KSSBBGF.
3. Do nothing.

Cost:

Other than staff time, there is no cost associated with tonight's action. The proposed capital lease with KSSBBGF will save the City \$7,748 in annual debt service and \$27,116 in interest expense during the remaining term of the lease.

Budget Impact:

If approved tonight, staff will assume the \$7,748 reduced debt service payment in the proposed Fiscal Year 2017/2018 Operating Budget.

Recommendation:

Adopt a Resolution:

1. Awarding a capital lease agreement to KS State Bank/Baystone Government Finance in the amount of \$623,382.18 for a term of 3.63 years and an annual interest rate of 2.76% to refinance the existing City Hall capital lease with Orix Public Finance, LLC; and
2. Authorizing the City Manager to negotiate and execute the said capital lease agreement and any other documentation related to the said refinancing.



M. Cleve Morris, City Manager



Dave Warren, Director Finance