

City Council – Action Request Form

Date: October 14, 2019

To: Mayor, Mayor Pro Tempore, and Members of the City Council

From: Lisa M. Saunders, Chief Financial Officer

Council Action Requested:

Resolution of the City of Winston-Salem, North Carolina, Approving a Lease Agreement and Related Matters

Strategic Focus Area: Service Excellence

Strategic Objective: Maintain City's Financial Strength

Strategic Plan Action Item: No

Key Work Item: Yes



Summary of Information:

The City of Winston-Salem, North Carolina, established a leasing program for certain real and personal property in 1984. The leasing program provides low-cost financing for the acquisition of needed equipment for all operations of the City such as police cars, fire trucks, heavy operating equipment and computer equipment. This resolution approves a new lease financing, under this program, in the amount of \$18,000,000 which should be sufficient to meet the City's personal property needs for the next 18 to 24 months. The resolution also approves the refinancing of the remaining balance of the 2016 Equipment Lease of \$7,500,000. This will convert the 2016 Equipment Lease from a variable rate to fixed rate debt.

The accompanying resolution authorizes the execution of a lease agreement in the amount not to exceed \$25,500,000 with Bank of America Merrill Lynch (BOA) to finance budgeted equipment for fiscal year 2020 and estimated acquisitions for fiscal year 2021.

The financing will be structured as a tax-exempt fixed rate lease for an approximate 59-month term. The City has received a Commitment Letter from BOA. Market conditions have improved since the bids were received, and the final fixed rate has been adjusted down to 1.61%.

Committee Action:

Committee	<u>Finance 10/14/19</u>	Action	<u>Approval</u>
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For	<u>Unanimous</u>	Against	<u></u>
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Remarks:

Wye River Independent Financial Advisor solicited a Request for Proposal and the following banks responses were received:

Bank	Rate
Wells Fargo Bank	Fixed Rate 1.63%
Bank of America	Fixed Rate 1.74%
TD Bank	Fixed Rate 1.789%
BB&T	Fixed Rate 1.80%
PNC Bank	Fixed Rate 1.86%
JP Morgan Chase	Fixed Rate 1.86%
SunTrust	Fixed Rate 2.175%

Exhibit A includes a list of vendors solicited, and the demographics for Bank of America Merrill Lynch.

Wells Fargo provided the lowest rate; however, the bank required certain legal restrictions that were not consistent with City policy. We recommend the next lowest rate proposed from Bank of America Merrill Lynch.

The resolution approves all acts and doings of the Mayor, the City Manager, the Chief Financial Officer, and the City Secretary that are in conformity with the purposes and intents of the resolution for the execution, delivery, and performance of any agreements, and/or other documents necessary to carry out the Lease Agreement.

Staff recommends approval of the resolution.