

# Memorandum



DATE January 31, 2014

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),  
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Master Lease Program

The Monday, February 3, 2014, Budget, Finance and Audit Committee agenda will include a briefing of the Master Lease Program.

Please contact me if you need additional information.



Jeanne Chipperfield  
Chief Financial Officer

## Attachment

c: Honorable Mayor and Members of the City Council  
A.C. Gonzalez, Interim City Manager  
Rosa A. Rios, City Secretary  
Warren M.S. Ernst, City Attorney  
Daniel F. Solis, Administrative Judge  
Craig D. Kinton, City Auditor  
Ryan S. Evans, Interim First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager  
Forest E. Turner, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Charles M. Cato, Interim Assistant City Manager  
Theresa O'Donnell, Interim Assistant City Manager  
Frank Libro, Public Information Officer  
Elsa Cantu, Assistant to the City Manager

# CITY OF DALLAS

## MASTER LEASE PROGRAM

BUDGET, FINANCE & AUDIT  
COMMITTEE

February 3, 2014



# PURPOSE

- Discuss the benefits of the master lease program in financing equipment purchases
- Review the initial selection process for a master lease provider
- Recommendation to amend the current program
  - Extend the initial three-year period by one year
  - Increase the initial credit amount of \$75 million by \$25 million for the term of the extension

# MASTER LEASE PROGRAM

- Provides an alternative to Equipment Acquisition Notes to finance the purchase of heavy equipment , computer hardware/software, and other personal property with a minimum useful life of 3 years
- Provides flexibility in the use of funds
- Allows “just-in-time-borrowing”
  - Contracts for eligible assets are awarded based on the master lease agreement
  - Lease draw downs are used to pay invoices or provide up-front funding for systems subject to multi-year implementation schedules

# MASTER LEASE PROGRAM

- Master lease program costs compare favorably to Equipment Acquisition Notes
- Lower issuance costs
  - No financial advisory or paying agent bank fees
  - Legal expenses to initially review the master lease agreement and issue periodic legal opinions
  - Private placement with a financial institution
    - No rating required

# MASTER LEASE PROGRAM

- Interest rate for each lease set at the time funds are drawn
- Rate is fixed for the term of the lease
  - Lease term will not exceed the useful life of the equipment
  - Semi-annual equal payments of principal and interest
- Rate is based on an index published by the Federal Reserve Bank

# MASTER LEASE PROGRAM

- Request for Proposals issued in August 2011
- Banc of America Public Capital Corp., a subsidiary of Bank of America, offered the most favorable terms of the five responses received
- Council approved the initial program in December 2011 to finance equipment purchases through December 2014

# MASTER LEASE PROGRAM

## HOW THE PROGRAM WORKS

- Equipment to be purchased using the program for financing is identified in the budget process
- Amount and items approved in the budget are presented to the bank to establish the annual credit line
- City Council-approved purchases of individual items are awarded (committed) using the master lease for financing
- Equipment leases begin after funds are borrowed (drawn down) upon completion of delivery



# MASTER LEASE AGREEMENT PROPOSED AMENDMENTS

- Recommend approval of resolution on February 26<sup>th</sup> Council agenda extending the current master lease agreement with Banc of America Capital Corp. for one year through December 2015
  - Completes the program of equipment purchases as approved in FY 2011-12 through FY 2013-14 budgets
  - Finances equipment purchases as approved in FY 2014-15 budget under the current master lease agreement
  - Allows subsequent master lease agreement to be approved in advance of the FY 2015-16 budget

# APPENDIX

## MASTER LEASE PROGRAM STATUS BY FISCAL YEAR

# APPENDIX

## MASTER LEASE PROGRAM STATUS

- Year 1 (FY 2011-12)
  - \$21 million budgeted for 4 departments
    - Communication & Information Services, Equipment & Building Services, Dallas Fire-Rescue, and Sanitation
  - \$16.8 million authorized expenditures
    - \$12.2 million drawn down in FY 2012-13
    - \$4.6 million expected to be drawn in FY 2013-14 after completion of delivery

# APPENDIX

## MASTER LEASE PROGRAM STATUS

- Year 2 (FY 2012-13)
  - \$26.5 million budgeted for 4 departments
    - Communication & Information Services, Equipment & Building Services, Dallas Fire-Rescue, and Sanitation
  - \$20.5 million authorized expenditures
    - \$16.9 million expected to be drawn in FY 2013-14
    - \$3.6 million expected to be drawn in FY 2014-15

# APPENDIX

## MASTER LEASE PROGRAM STATUS

- Year 3 (FY 2013-14)
  - \$24.7 million budgeted for 4 departments
    - Communication & Information Services, Equipment & Building Services, Dallas Fire-Rescue, and Sanitation
  - \$17.1 million authorized expenditures; \$5.8 million expected to be authorized
    - \$8.8 million expected to be drawn in FY 2013-14
    - \$14.1 million expected to be drawn in FY 2014-15