

Municipal Leasing

U.S. vendors looking to expand your market: We provide competitive Municipal Leasing quotes from \$35,000-\$20,000,000+ on all equipment and facilities that are of essential use to the municipal entity.

Who Qualifies for a Municipal Lease?

Municipal Lease Transactions can be provided for states and their political subdivisions such as counties and cities. Departments or agencies such as state universities, fire and police departments, school districts, sanitation, hospitals, or special districts are also eligible. To be qualified, a governmental entity must possess one of three characteristics of a government; they must possess the power of eminent domain, police powers, or the power to levy taxes. The fact that an agency is supported by government funds or is "tax exempt" does not always ensure qualification. Non-profit corporations do not qualify for Municipal Leasing.

Why Choose a Municipal Lease?

Due to budgetary shortfalls, leasing is becoming a Standard way for cities, counties, states, schools and other municipal entities to get the equipment they need today without spending their entire annual budget to acquire it.

Municipal leases are different from standard commercial lease paper because of the mandatory non-appropriation clause, which states that the entity is only committing to funds through the end of the current fiscal year (even if they are signing a multi-year contract). This way, when the fiscal year is over, if the funds are not appropriated, they can terminate the agreement. In addition, the signer of lease is not encumbering funds past the current fiscal year (since this is tax payer money, they can not encumber funds that are not received yet).

Vendor Assistance:

Union Commerce Financial has a dedicated team of government leasing specialists with 20+ years of experience in structuring municipal leases. This allows us to deliver customized financing solutions that meet the needs of our equipment vendors and government buyers.

Union Commerce Financial provides all documentation for the transaction. On occasion, the lessee will be required by law to employ local jurisdiction lease documents and supporting legal instruments. When this occurs, Union Commerce Financial makes every reasonable effort to accommodate these requirements. In all cases, as a Municipal Lease specialist, Union Commerce Financial provides appropriate documentation to support the transaction.

Call Union Commerce Financial at 1-888-375-0844 for more information about our Municipal Lease Programs.

Benefits of Municipal Lease Purchase

- ❖ **Increased purchasing power** - Since the incremental monthly lease payment for equipment acquisitions is so small compared to the total cash outlay; the lessee has the capability of adding to the total equipment package and increasing the monthly or annual expenditures only slightly. This may help keep the lessee within its budgetary constraints.
- ❖ **Acquire equipment from various vendors** – A single lease allows the lessee to diversify equipment with only one periodic expenditure.
- ❖ **Leasing is treated as an operating expense** – This may allow the lessee to avoid a capital budgeting problem and avoid the lengthy appropriation process.
- ❖ **Lease payments are all inclusive.** Payments can include maintenance, shipping, training, installation, and software, if desired.
- ❖ **Early buy out is allowed throughout the term of the lease.**
- ❖ **Flexible payment terms are available.** Leases are from two (2) to five (5) years (or longer for certain situations). Payment options include monthly, quarterly, semi-annual, and annual with the option to defer payments until the next fiscal year. This means you can take delivery of the equipment today, with a small down payment, and not make a lease payment for several months.
- ❖ **Non-appropriation language is part of the lease agreement** – The lessee is only encumbering funds for the current fiscal year. If the funds are not appropriated when the fiscal year begins, the lease can be terminated.
- ❖ **No down payments or advance payments are required.**
- ❖ **Lease to own.** At the end of the term, the lessee owns the equipment. There is no residual.

For more information on Union Commerce Financial
www.unioncommercefinancial.com
888-375-0844

Municipal Leasing VS. Bond Issues

Characteristics of Municipal Lease Purchase Financing

- ❖ Voter approval not needed.
Funding comes from annual operating budget.
Non-appropriation clause provides cancellation provision if future funds are not available.
- ❖ A Lease APR compares favorable with Bond Issues when issuance costs and staff time are taken into consideration.
- ❖ Proves effective for terms under 10 years and less than \$10 million.
- ❖ Lease documentation is simpler and the process moves faster. Staff time and soft costs are minimized.
- ❖ No additional fees or reporting requirements.
- ❖ Leases renew on a year-to-year basis and are dependent upon annual operating budget for funding; thus are not considered debt. Keeps future bond alternatives open.
- ❖ Early buyout options are available.
- ❖ Finance only what is needed.
- ❖ Provides ability to terminate without penalty if funding is not available.
- ❖ Expected useful life of leased property matches the term of the lease

Characteristics of Bond Issues

- ❖ Need voter approval.
- ❖ Risk loss of referendum.
- ❖ Cost of election and advertising.
- ❖ Issuance cost will be high and measurably affects true borrowing rates.
- ❖ Appropriate for large issues and for long terms to lock in low rates.
- ❖ Bond issuance process is slow, consumes staff time and incurs hidden expenses and overhead costs.
- ❖ Costs continue after bonds are sold.
Trustee fees
Compliance reports
Footnote disclosure and added audit fees
Periodic rating agency reviews and fees
- ❖ Restricts future bond issues because of covenant restraints.
- ❖ Generally will have call provisions with prepayment penalties after a period of time.
- ❖ Bond issues may not exactly match capital needs. Excess bond processes may end up in general fund and earn less than the borrowing rate or general balance of cash needed.
- ❖ Commits the municipal entity to fixed payments regardless of local economy cycles.
- ❖ Bond term may exceed useful life of equipment.