

Federal Government Leasing State Government Federal Government Leasing State Government State Leasing & Municipal Leasing Programs

What do you do when there's "no money in the budget?" Most administrators have probably heard that expression, a few too many times lately. Most government agencies "live" year-to-year, appropriation-by-appropriation, grant-by-grant, with spending horizons that rarely cross over fiscal periods.

"It's either in the budget, or its not..."

If not, most agencies simply can't make the purchase, no matter how critical the need. But that doesn't necessarily mean you have to walk away. Many government agencies are not familiar with how EASY it is for them to lease essential new equipment, paying for that equipment, monthly, quarterly or annually as their current appropriations allow.

**Why pay in advance for essential equipment
...that your agency will be using for years?**

In most government lease scenarios, funds come out of OPERATING accounts and are not "booked" as capital expenses (often BIG a plus), due in part to built-in non-appropriation language and on Federal transactions, termination provisions. And lease creates don't create new "debt," for accounting purposes.



"Why Government Leasing Makes Sense

Just about any equipment for:

Municipal Governments

School Districts

Homeland Security

County Governments

Highway/Roads Departments

Police - State & Local

U.S. Postal Service

State, County & City Hospitals

Human Services

Modular Buildings

Law Enforcement

Fire Departments - Paid/Volunteer

State Governments

Military Installations

Administrative Offices

Prisons & Correctional Facilities

Coast Guard

Water Districts

Universities & Community Colleges

Park & Recreation Equipment

IRS, HEW, DOJ, FBI, EPA, FDA, FEMA and hundreds of others!

More here about: [Federal Leasing](#)

Special Considerations for Federal & Municipal Leases:

◆ **No Down Payments / No Deposits**

◆ **One Page Application** for municipal transactions.

◆ **No "Opinion of Counsel" Letter** for municipal transactions.

◆ **Automatic Approvals for Federal Agencies.** No credit application for Federal transactions, *credit approval is automatic.*

◆ **Soft Collateral "OK"** including 100% software! *(to 36 months)*

Non Appropriation, NO PROBLEM!

Most government agencies are blocked (by statute) from entering into financial commitments that extend beyond the current fiscal year. **Our government leases specifically incorporate "NON**

APPROPRIATION" language. In the event funds are *not* available for any legal reason whatsoever, the lease is terminated. (equipment must be surrendered) Complete details are in the "Non-Appropriation" section of the lease agreement. (please call for details). **Our Federal leases also accommodate "Termination for Convenience" language!**

Cash Flow Friendly Options Available

- ◆ **Monthly, Quarterly, Semi-annual or Annual.** In advance or in arrears
- ◆ **Deferred Payment Leases.** Take delivery now, lease payments are deferred until the start of the next fiscal or accounting period.
- ◆ **Step Payment Leases.** Lease payment step up or down to match cash flow.
- ◆ **Skip Payment Leases.** To match seasonal cash flow. e.g. Municipal golf course, the municipal pool and of course, school districts!

LEASING may be an especially attractive option for government entities, with tight budget constraints--both in terms of capital acquisitions (vs. operating obligations) and budget timing.

Equipment That Can Be Leased to Government Entities

Virtually any equipment qualifies-- from road building equipment to software, fire trucks to office copiers and just about everything in between!

Federal Government Leasing - Some Key Differences

The federal government generally does not enter into lease agreements with third parties (like leasing companies or banks). Most agencies however, are free to assign the proceeds of their purchase orders (i.e. the stream of payments) under the purchase Terms & Conditions, to third parties like First Capital. The Terms & Conditions of the purchase order will indicate the "structure" of the stream of payments-- whether that is monthly, quarterly or annually and the total number of periods etc. These structures will include the required "non-appropriation" and "termination for convenience" language. This becomes what we would view in a commercial environment as "the lease."

The vendor (federal contractor) is paid in full upon delivery and acceptance of the equipment and is "insulated" from any termination or non-appropriation issues in the future, other than those specifically related to the vendor's own non-performance under the purchase order terms.

Leasing puts most vendors (federal contractors) in a substantially better position than if they were "at risk" for all of contingencies under a typical government contract.

Municipal Leasing

*State, County, City Governments, Towns, Villages & Boroughs
All Departments & Agencies*

**do more
with less™**

What is municipal leasing?

A specialized, tax-advantaged type of financing that allows government entities to acquire almost any kind of new *or used*, essential-use equipment, real estate, hardware, vehicles or software. From energy management to fire apparatus, police cars to modular classrooms and everything in between! These are lease-to-own programs with no residual and no end-of-lease buyout. Title passes at delivery, not at lease end. **"Do more, with less™"** using municipal leasing. Its all about maximizing the buying power of the budget dollars you have now, for what you need today *and* tomorrow. And without bonds!

Which government entities qualify for a "municipal lease?"

The word municipal may be a bit of a misnomer...as all of the programs described here are available to:

**State, County & Municipal governments and their agencies:
Law Enforcement, Public Safety, Fire, Rescue, EMS, Water & Port Authorities, School Districts,
Community Colleges, State Universities & Hospitals**



Multiply current appropriation by 4-5 times!

Leases provide the financial leverage that allows government agencies to **multiply the purchasing power of their current appropriations** by a factor of 4-5 times! What an agency has appropriated this year and anticipates in following years, can often allow them put 4-5 times that amount of new equipment into service today, to meet current needs.

What You Need...When You Need It!

Two new school buses or police cars for cash this year...or a small fleet of 8-10 new vehicles, paid for conveniently over the next 5 annual budget appropriations?

Key Benefit: Our municipal leasing programs allow governments to **"Pay As You Go,"** as funds are appropriated, year-by-year. Level, easy-to-budget, guaranteed-in-advance payments, that do not float.

Municipal leasing is often the lowest cost financing option.



Tax advantaged municipal leasing rates are almost always lower than any comparable commercial borrowing. Here's why: Tax exempt municipal leasing is more aggressively priced because the interest income to the funding source is exempt from Federal income tax on interest income. Our cost of funds starts lower and the government entities cost of funds is lower too!

Municipal leasing is faster, less expensive and easier.

Unlike complex bond financing or conventional financing, municipal leasing is a very streamlined process that provides access to the most aggressive rates available. From as small as \$5,000 to \$20 million and more!

- ▶ **One-Page "Easy Ap™" to \$100,000. Same day approvals.**
- ▶ **No "Opinion of Counsel" required for leases under \$100,000.**
- ▶ **Get a prompt, written, no-obligation, Quick Quote™ any time!**
- ▶ **No voter approval required**
- ▶ **Municipal leases do not create balance-sheet "debt."**
- ▶ **NO DOWN PAYMENTS required on our municipal leases.**

Totally Flexible Payment Terms

Just tell us what YOU need! We offer a range extremely flexible payment terms (monthly, quarterly or annual payments in advance or arrears, even deferred and step up/down) designed to fit any agency's budget process. Terms to 5 years on most equipment...6, 7 and up to 15years on heavy equipment and fire apparatus.

Wait for a grant...or use our municipal lease today?

Grants can be a tempting route, but the process itself can be convoluted and tedious, more importantly the outcome and timing are almost always unsure. **Municipal leasing conserves cash allowing use of the equipment, to be matched against to tax revenue in those periods.** A "pay as you go" model, that most government planners find is a "perfect budget fit." Municipal leases can be pre-paid at any time. The government entity may to continue to pursue any potential grant opportunities knowing that that essential new equipment is going into service now, and that should grant funds (or bond proceeds for that matter) become available, proceeds can be used to pay off part or all of the remaining lease balance *without penalty*.

Non-Appropriation Language...No Problem!

Our federal, state & municipal leasing programs have "*non-appropriation*" language built in, automatically. In the event funds are not available for any legal reason, the equipment is returned and the lease can be terminated.

Municipal Leasing

Common, Frequently Asked Questions

FAQ's

do more
with less

What is tax exempt municipal lease?

A tax-exempt municipal lease is a special kind of financial instrument that allows qualifying government entities (see below) to acquire essential new equipment under extremely attractive terms with very streamlined documentation. Some of **the most notable benefits are:**

- ▶ Lower rates than conventional loans or commercial leases.
- ▶ Lease-to-own. There is no residual, there is no buyout.
- ▶ Easier. Application (to \$100K) are just one page
- ▶ FASTER! Same day/next day approvals
- ▶ Non-appropriation language included, *automatically*.
- ▶ No "opinion of counsel" required under \$100,000
- ▶ No underwriting costs

Which entities qualifies for a "municipal" lease?

Virtually **any State, County, City & Municipal governments and their agencies** that qualify under IRS Section 103 (as amended), including Law Enforcement, Public Safety, Fire, Rescue, EMS, Water & Port Authorities, School Districts, Community Colleges, State Universities, & Hospitals.

What kind of equipment can be leased under a municipal lease?

Just about any type of essential use **equipment, vehicles, land or buildings:**

- | | | |
|----------------------------------|------------------------------|-----------------------------------|
| ▶ Computers-Micros to Mainframes | ▶ Software | ▶ Police Vehicles |
| ▶ Networks | ▶ Communications Equip. | ▶ Parks & Recreation Equipment |
| ▶ Fire Trucks, EMS & Rescue | ▶ Construction Equipment | ▶ Aircraft & Helicopters |
| ▶ Training Simulators | ▶ Asphalt & Paving Equipment | ▶ CAD, RMS, Jail & Court Software |
| ▶ All Terrain Vehicles | ▶ Energy Management | ▶ Solid Waster Disposal |
| ▶ Turf Management | ▶ Golf Course Maintenance | ▶ School Buses & Para transit |
| ▶ Water Treatment Systems | ▶ Modular Classrooms | ▶ Portable Buildings |
| ▶ Telephone Systems | ▶ Office & School Furniture | ▶ Copiers, Faxes etc. |
| ▶ Surveillance & CCTV | ▶ Snow & Ice Removal | ▶ Sewer Maintenance |
| ▶ Bucket Trucks | ▶ Boats | ▶ PLUS hundreds of others! |

What is the difference between a tax-exempt municipal lease and a commercial lease?

Municipal leases are special financial vehicles that provide the benefit of exempting our banks and investors from federal income tax on the interest income, allowing us to pass along rates that are generally *far below conventional bank financing* or commercial lease rates. Also unlike commercial leases, the equipment is being sold directly to the tax-exempt entity (not to the leasing company). This means the government "owns" the equipment the day it is delivered and accepted.

Why not just borrow the money, or use a bond?

There are laws in all 50 states that generally make it impossible for state, county & municipal governments to incur new debt requiring payments that extend over multi-year (budget) periods. The primary concern being that until those future budgets are formally approved and voted into law, there is no legal authority to bind the government entity to make future payments. The only exceptions are bond issues (general obligations) which are the primary vehicles used to bind a government entities to a stream of *future* payments. "General Obligation" bonds are contractual commitments to make repayments. The

government bond issuer is guaranteeing to make funds available for repayment including raising taxes as *necessary*, if adequate sums are not available in the general fund. "Revenue" bond repayments are tied directly to specific streams of tax revenue. Bond issues are very complicated legal documents (read: expensive, time consuming) and because they can have a direct impact on every taxpayer, generally require voter approval. Hence bonds are generally only used for the very largest projects: infrastructure like sewers, roads, the largest building projects, etc. ***Because our municipal leases automatically include non-appropriation (or "funding out") language, they will be readily approved by legal counsel. Non-appropriation language effectively relieves the government entity of the obligation to pay in the event funds are not appropriated in any subsequent budget period, for any legal reason. Every governing body must re-affirm their willingness and ability to pay a municipal lease, every year. Most government entities would not be allowed to sign any municipal lease without non-appropriation language included. Most governments treat their municipal lease obligations as current expenses and DO NOT characterize them as long term debt obligations on their balance sheets.***

Who owns the equipment during a lease purchase?

In almost all jurisdictions, you do. Title or the deed passes at the inception of the lease (not the end).

What if we want to pay off the lease? Is there a pre-payment penalty?

Municipal leases can be prepaid at any time. A complete ***lease amortization table*** is automatically included with every lease showing the interest principal and payoff amount for each period of the lease. After the first 12-18 months the early payoff amount is fairly close to the outstanding principal amount. There is no contractual penalty. (A payoff schedule can be prepared in advance for your review)

Can used equipment be leased?

Absolutely! (with the exception of computers and copiers)

Are Volunteer Fire Departments eligible for tax-exempt municipal leasing?

Yes, but there are some important differences. 95% of the proceeds of a *tax-exempt* lease for a volunteer departments i.e. a 501(c)(3), must be used for the "acquisition, construction, reconstruction, or improvement of a firehouse (including the land) OR for a fire truck used by or to be used by, the fire department." The rules are fairly specific. A computer or an ambulance for example, would *not* qualify. A volunteer fire department *would* be eligible, subject to credit approval, for our non-tax exempt, non-profit rates, however. A volunteer department would not be eligible for non-appropriation privileges.

Who is responsible for maintenance and insurance?

Because the government entity owns the equipment from the date of delivery/installation, the responsibility for maintenance and insurance is the government entities.

Municipal Government Leases

Tax-Exempt Lease Purchase program is perhaps the simplest, most flexible way to incorporate major equipment requirements into your budget when capital funds are not available. Whether it's an energy conservation program, computers, police/fire vehicles, or school buses, we can provide you with the lease financing you need. Leasing provides a cost-effective alternative to conventional bond financing, with low payments which make it possible to obtain the equipment you need when you need it. Another advantage to leasing is that it can provide financing for the total cost of the equipment at today's costs - providing a hedge against inflation. And with rates fixed for the term of the lease, you can make more accurate cash flow projections.

Tax-Exempt Lease Purchase Program

- Simple, flexible
- Cost-effective alternative to conventional bond financing
- Low payments
- Finance the total equipment cost today's prices
- Finance the total equipment cost today's prices
- Fixed rate for the term of the lease

Municipal Lease Purchase

A Municipal Lease is a contract that has many of the characteristics of a standard commercial lease, with three primary differences:

- In a Municipal Lease, the intent of the lessee is to purchase and take title to the equipment. The financing is a full payout contract with no significant residual or balloon payments at the end of the lease term.
- The lease payments include the return of principal and interest, with the interest being exempt from Federal income taxation to the recipient. Typically, a tax-exempt interest transaction will be financed at interest rates lower than equivalent commercial financing.
- The Municipal Lease provides for termination for non-appropriation of funds by the Government Agency.

Termination for non-appropriation distinguishes a Municipal Lease from all other types of leases. The clause normally is required so that the lease does not constitute a long-term debt instrument (which would require a lengthy process for issuance). The obligation to pay is subject to appropriations being made annually over the term set forth in the lease. To justify non-appropriation, the municipality generally must certify that it does not have funds to continue payments and has made its best efforts to procure funds by requesting the funds in its budget.

A Municipal Lease offers several advantages over alternative methods of financing. First and foremost is simplicity. Under most state statutes, municipal contracts with terms of over one year require significant investments in time and money in order to comply with municipal debt restrictions. Since a Municipal Lease is, in effect, a year-to-year obligation, many of these requirements do not apply. The ease of executing a Municipal Lease minimizes the elapsed time and the expenses associated with issuing any kind of certificate of indebtedness or bond.

Another major advantage is economy. A Municipal Lease is most often the least expensive method of financing equipment that costs from \$5,000 to \$20,000,000 or more. The very slight interest rate advantage offered by a municipal bond is offset by the legal and administrative costs incurred in generating the bond issue. The Municipal Lease requires neither the bond election nor the long-term administration of the bond. The Municipal Lease exerts no impact on the organization's credit availability and provides greater flexibility in allocating available resources. Additionally, a Municipal Lease does not require the separate legal or underwriting fees that the municipality would incur with a bond issue. Leasing provides a rapid solution to the municipality. Other than accrued interest, there is no penalty for early buyout of the lease. Municipal Leases are not true leases, but are firm purchase agreements and are similar to conditional sales contracts or installment purchases subject to termination in the event of non-appropriation.

Municipal Lease transactions are governed by the Internal Revenue Code. Under these requirements, a qualified state or local Government Agency or governmental subdivision can finance property acquisitions under contracts in which the interest income the leasing company derives will be exempt from Federal income tax. A tax-exempt interest transaction typically is financed at an interest rate below equivalent commercial financing. The IRS requires these transactions be a) a lease to ownership plan (installment purchase); b) for equipment that is essential to the government function; and c) have no significant residual or balloon payment at the end of the contract term.

WHO QUALIFIES FOR MUNICIPAL LEASES?

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 may also be 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 not subject to sales tax does not always ensure qualification. Non-profit corporations do not qualify for Municipal Leasing.

WHAT CAN BE LEASED?

Virtually any type of personal property:

- Computers and Software

- Office Equipment
- Furniture
- Surveillance Equipment
- Vehicles and Accessories
- Heavy Equipment
- Refuse Equipment
- Telephone and Communications Equipment
- Modular Structures
- Heat/Air Conditioning Equipment
- Energy Management Equipment

WHY CHOOSE A MUNICIPAL LEASE?

Quick Delivery: Lease financing allows a government entity to obtain needed equipment immediately without waiting for voter approval through a bond issue. This means increased productivity for the government entity.

Non-Appropriation: In most jurisdictions, the authority of an administrator to enter into debt or obligation of future funds is severely limited. For this reason, a Municipal Lease is characterized by a non-appropriation clause that specifies that the lease can be terminated in the event funds are not made available in subsequent fiscal years. Title to the equipment usually resides with the lessee so that the Government Agency's sales and property tax exemptions apply.

\$1 Buyout: The Lessee owns the equipment at the end of the lease term.

Early Purchase Option: If funds become available, the Government Agency has the option to buyout the lease at any time after the completion of the first fiscal year. A detailed amortization schedule is provided for each transaction.

Flexible Terms: The payment can be tailored to suit the needs of each Government Agency. Annual, semi-annual, quarterly and monthly payment intervals are available with terms extending to the useful life of the equipment. Deferrals, down payments and advance payments can also be arranged. Terms reflective of the useful life of the equipment have a lower interest expense as compared to long-term bond issues. Lessees can choose payment schedules most suited to their needs, including length of contract, payment interval and advance or arrears payments. Up to 100% of the equipment cost can be financed as well as training and maintenance.

Nothing Down: Under most payment plans there is no down payment or security deposit required. However, structuring the lease with advance payments may lower the net cost of financing to the Lessee. GLC can also defer the first payment up to one (1) year; however, a down payment is required with the delayed payment option.

Because the acquisition costs are spread over multiple fiscal years, a Municipal Lease removes budgetary constraints, permits the purchase of needed equipment, allows an upgrade of the equipment, and provides the ability to obtain additional