

## **Municipal Finance:**

Municipal Finance is the way state and local government agencies are able to acquire essential equipment or services in order to run their operation.

Generally speaking, there are laws in all 50 states, which restrict the ability of municipalities to borrow money. There are, however very few restrictions on the ability to enter into leases. Leasing also represents a way for municipalities to conserve their cash while acquiring the equipment and facilities necessary for government to function.

### **Capital Lease (\$1 buyout)**

*Considered a lease to own finance program - The customer purchases the equipment for \$1 at the end of a capital lease and the equipment title is then transferred from the leasing company to the customer. A Capital Lease typically allows you to buy the equipment out for a nominal cost, such as \$1. Plus a capital lease does not stress your credit as a loan would, which frees up your credit for important day to day activities.*

### **Who qualifies for a tax-exempt municipal lease?**

- State Governments
- Public School Districts
- City Governments
- County Governments
- Public Colleges and Universities
- Hospitals, Municipal and 501c3
- Fire Districts
- Port and Airport Authorities
- Water and Sewer Districts
- Emergency Service Departments

### **What type of equipment can be lease-purchased?**

- Computer Hardware and Software
- Fire/Emergency Rescue Equipment
- Vehicles and Heavy Equipment
- Medical Equipment and Facilities
- Construction Equipment
- Energy Management Systems
- Telecommunications Equipment
- Airport Equipment and Facilities
- Office Equipment
- Waster/Water Equipment

### **How can you benefit from working with Lease Advisory Group?**

One of the reasons Lease Advisory Group are leaders in our industry is because we bring many benefits to our partner relationships. We can help you in a number of ways:

- **Detailed Proposals:** We provide you with all the data and information needed to produce compelling quotes and proposals
- **Proposal Review:** We're able to provide our unique Request For Proposal (RFP) review assistance
- **Negotiating of Financing Terms:** Our team of seasoned experts will do everything possible to accommodate the specific needs and requests of your customers
- **Financial Information and Documentation:** From applications to lease agreements, we'll handle each step of the process for you – and our documentation is simple and easy to use
- **Meetings and Trade Shows:** We will accompany you on selected sales visits – on site or via phone – and are available for important trade shows and events

### **What are the requirements for using a tax-exempt municipal lease?**

There are a number of requirements that government agencies must meet in order to be eligible to use a tax-exempt municipal lease, but here are the main ones to remember:

- Transaction must be legal, valid, and binding under local, state and federal laws
- Equipment must be essential to government operation
- Must be a capital lease, which means the intent is to own the equipment at lease end
- Lessee must meet the eligibility requirements of Section 103 of the U. S Tax Code
- 8038G/8038GC IRS Form must be completed and filed
- Entities utilizing tax-exempt municipal lease must have:
  - Power to levy taxes
  - Power of eminent domain
  - Policy powers

### **What are the benefits of using a tax-exempt municipal lease?**

Benefits to you:

- Offer your customer the best economic terms available
- Receive full product payment up front as delivered and accepted
- Simple process – purchase order, delivery, acceptance same as cash sale
- Prompt payment directly from funding source
- Close the sale now, rather than waiting for future budgets

Benefits to the government customer:

- Ability to stretch budgets and maximize available capital
- No property tax, no sales tax (except AZ, CA and NC)
- Lower interest cost, lower debt service = lower payments = lower total cost of ownership
- Flexible payment structures (monthly, quarterly, semi-annual, annual)
- Voter approval usually not required
- Interest rates on transactions significantly lower than taxable leases
- Asset ownership and control

Lease Advisory Group can also offer a Fair Market Value (FMV) financing structure for all industries as well, if that's of interest to your clients. This structure acts more like a rental of the equipment versus loan with intent to own. Under this structure the Lessor holds Title to the equipment and can take depreciation benefits as the owner of the equipment. It is also important to note that under these structure sales, and property tax exemptions may not pass through to the Lessor and under the terms of the Lease Agreement the Lessee would be responsible for the reimbursement of such charges.