

MEMORANDUM

To: Lisa Agnor, City Manager

From: Elaine Altman, Finance Director

Date: October 20, 2016

Subject: Approval of financing the purchase of a new pumper truck for the Marshall Fire Department

A new fire truck was ordered subsequent to approval from the Commission at the November 12, 2015 regular meeting. Proposals have been received from Texas Bank and Trust and Panola National Bank to finance this \$690,000 purchase.

Panola National Bank submitted a proposal that provides for a fixed interest rate of 1.95%. This proposal further provides for the City to make six (6) annual payments totaling \$739,343. A detailed payment schedule is attached.

Texas Bank and Trust and their Correspondent Bank, Frost, submitted two proposals:

The first proposal was for a five (5) year loan at a fixed interest rate of 2.75%. This proposal further provides for the City to make five (5) annual payments totaling \$750,419.

The second proposal was for a seven (7) year loan at a fixed interest rate of 2.86%. This proposal also provides for the City to make seven (7) annual payments totaling \$774,103.

Under both proposals a \$750 fee will be added to the invoice for the first payment to cover origination expenses.

STAFF RECOMMENDATION:

It is recommended that the City Commission approve the proposal submitted by Panola National Bank to finance the purchase of the Fire Truck and authorize the City Manager to execute the documents and annual renewals. The proposal provides for the City to make six (6) payments totaling \$739,343.



PANOLA NATIONAL BANK

October 12, 2016

City of Marshall
401 S. Alamo
Elaine Altman, Finance Director / City Secretary
Marshall TX 75672

RE: Bid of Financing Fire Truck

Dear Ms. Altman:

In response to your October 6th email, Panola National Bank welcomes the opportunity to finance a new fire truck for the City of Marshall. Your email provided an attachment showing that on November 12, 2015, the City Commission unanimously approved the following purchase:

Fire Truck Purchase Price	\$596,380
Additional Equipment Add-Ons	<u>\$ 93,620</u>
Total Purchase Cost	\$690,000

We understand that funding is to be sometime in November 2016. We also acknowledge that the City will provide for this purchase in its 2018 Budget and wishes for the first truck payment to be in January 2018 and to fall on an annual basis thereafter.

Therefore, Panola National Bank hereby submits the following bid to the City of Marshall:

Loan Amount:	\$690,000
Fixed Interest Rate:	1.95%
Maximum Amortization:	6 years
Note Date:	November 2016
First Payment Date:	January 2018
Payment Frequency:	Annual principal + interest payment
Payment Amount:	\$115,000 principal payment + accrued interest payment
Maturity Date:	January 2023
Collateral:	Fire Truck

Our 1.95% fixed interest rate applies to any amortization up to a maximum of 6 years. Finally, please note that there is no pre-payment penalty for early payoff of this promissory note.

Again, Panola National Bank appreciates the City for giving us this bidding opportunity to serve its financial needs. Please feel welcome to contact me at 903-938-4400 or markjohnson@panolanationalbank.com if you need further assistance.

Sincerely,

Mark Johnson
Vice President / Branch Manager

**CITY OF MARSHALL FIRE TRUCK LOAN
\$690,000 @ 1.95% FOR 6 YEARS**

<u>Beginning Accrual Date</u>	<u>Payment Date</u>	<u>Accrual Days</u>	<u>Principal Due</u>	<u>Estimated Interest Due</u>	<u>Total Payment</u>
11/15/2016	01/15/2018	426	\$115,000.00	\$15,704	\$130,704
01/15/2018	01/15/2019	365	\$115,000.00	\$11,213	\$126,213
01/15/2019	01/15/2020	365	\$115,000.00	\$ 8,970	\$123,970
01/15/2020	01/15/2021	366	\$115,000.00	\$ 6,728	\$121,728
01/15/2021	01/15/2022	365	\$115,000.00	\$ 4,485	\$119,485
01/15/2022	01/15/2023	365	\$115,000.00	\$ 2,243	\$117,243



Equipment Leasing & Finance
100 W. Houston Street, 3rd Floor
San Antonio, TX 78205
Ph. (210) 220-6850
Fax (210) 220-6765

October 18, 2016

Via Email: kpurvis@texasbankandtrust.com

City of Marshall
401 S. Alamo
Marshall, TX 75670

Proposal for Lease Purchase Financing

Frost is pleased to offer the following lease purchase proposal. Subject to the receipt of the required financial information, equipment detail, and credit approval, an equipment lease purchase financing agreement may be structured in accordance with the terms and conditions set forth in the proposal(s) below:

LESSEE: *City of Marshall, Texas ("Municipality")*

LESSOR: *Frost Bank ("Frost")*

PERSONAL PROPERTY: *Equipment Financing Agreement ("Agreement") is to include new personal property acceptable to LESSOR with a total amount of approximately \$690,000.00. The equipment is generally described as a new Pierce Enforcer pumper fire truck and related equipment.*

AGREEMENT FUNDING: *The Agreement will commence on or about December 2016.*

PAYMENT SCHEDULE: *The Municipality will make 5 or 7 consecutive annual payments in arrears with the first payment due on or about January, 2018. (First payment will include 13 months of accrued interest.)*

PAYMENT AMOUNT: *5 years: \$150,083.82
7 years: \$110,586.10*

RATE: *5 years: 2.75% Fixed
7 years: 2.86% Fixed*

RATE ADJUSTMENT: *The above referenced rates will expire within 30 days. After 30 days the rate will be determined based the FHLB Secure Connect Long Term Fixed Rate for 3-yr thru 4-yr plus 1.30% for 5 years, plus 1.41% For 7 years.*

The index on which the Indicative Interest Rates are based is The Federal Home Loan Bank Secure Connect Rates, which can be found at www.fhlb.com under Today's Long Term Fixed Rates. The specific index is in the Secure Connect column for 3-yr thru 4-yr, which today is 1.45%.

This Proposal also assumes that Municipality is Bank Qualified for 2016. If not, rate will be adjusted.

AT TERMINATION: *No additional purchase price will be assessed upon termination of original Agreement period.*

FEES: *A fee equal to \$750 will be added to the invoice for the first payment to cover origination expenses.*

TAXES: *This is a net financing proposal whereby maintenance, property tax and sales tax will be for Lessee's account and obligation.*

INSURANCE: *LESSEE will be required to carry, at its expense, all risk insurance in an amount equal to the lessor's stipulated loss value and liability insurance in an amount acceptable to Lessor.*

Certificate(s) of insurance shall reflect Lessor as an additional named insured and loss payee, and shall be with companies and contain endorsements and amounts acceptable to Lessor.

ATTORNEY'S OPINION: *LESSEE shall provide lessor with an attorney's opinion that financing of the equipment conforms with applicable State of Texas laws and that all documentation required is satisfactory to Lessor. All legal expense incurred to conform documents to the satisfaction of the Municipality, their Counsel, and the Lessor will be borne by the Municipality.*

COURTMEETING MINUTES: *Lessee shall provide Lessor with a duly executed copy, with original signatures, of the Court Meeting Minutes authorizing this financing by unanimous approval.*

WARRANTIES: *Lessor is not a manufacturer of, or dealer in, the equipment selected; and in that regard: Lessee acknowledges the equipment is of a size, design, capacity and manufacture selected by Lessee. Lessor does not inspect the equipment prior to delivery to Lessee and has not made and does not make any representation, warranty or covenant with respect to the condition, quality, durability, suitability or merchantability. Lessor will, however, take any steps reasonably within its power to make available to Lessee any manufacturers or similar warranty applicable to the equipment. Lessor shall not be liable to Lessee for any liability, loss or damage, caused or alleged to be caused directly or indirectly by the equipment, by any inadequacy thereof or deficiency or defect therein or by any incident whatsoever in connection therewith.*

FINANCIAL STATEMENTS: *Lessee will provide annual financial statements, including operating figures, during the life of the lease.*

DOCUMENTATION: *All documentation must be satisfactory to all parties concerned and will include a non-appropriations clause. Lessee may terminate early for an early termination fee not to exceed 1% of principal balance.*

EXPIRATION OF BID: *If not accepted, this bid will expire in thirty (30) days of the date of this bid.*

SUMMARY: *This bid in its present form does not represent a commitment to finance by Frost, and is not binding on either the Lessee or Lessor. It is subject to and contingent upon Lessee's approval of these conditions and Lessor's approval of the pricing and Lessee's credit and equipment*

Municipal Advisor Disclosure. *The information and materials contained or referenced herein have been prepared by Frost Bank solely for informational purposes. Neither Frost Bank, nor its affiliates, nor any of their representatives (collectively, "Frost") are recommending any action to you. Frost is not acting, and will not be acting, as a financial or municipal advisor to you, and does not owe you a fiduciary duty or any other duty pursuant to Section 15B of the Securities Exchange Act of 1934, as amended, with respect to the information and materials contained or referenced herein. Frost is acting for its own interest, which may be different from yours. You should discuss any information and material contained herein with any and all internal or external advisors and experts that you deem*

appropriate before acting on the same, including with respect to any legal, regulatory, tax or accounting treatment. In some circumstances, you may be required to retain the assistance of an independent registered municipal advisor ("IRMA") before negotiating or entering into a municipal financial product with Frost Bank.

Frost appreciates the opportunity to present this bid for your consideration.

By:

A handwritten signature in black ink, appearing to read "Scott Anderson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

*Scott Anderson
Vice President*

C: Corey Huston, Frost Bank