

# VILLAGE OF HOMEWOOD



**BOARD AGENDA MEMORANDUM**

**DATE OF MEETING: November 26, 2024**

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**To:** Village President and Board of Trustees

**Through:** Napoleon Haney, Village Manager

**From:** Amy Zukowski, Finance Director

**Topic:** 2024 Equipment Lease and Escrow Fund Agreement

## **PURPOSE**

On October 8, 2024, the Board of Trustees authorized the Village President to enter into a lease agreement between the Village and BMO Harris Investment Company LLC (BMO) for the Village of Homewood's 2024 vehicle and equipment leasing program. The lease program allows for the replacement of seven (7) vehicles and equipment that are past their useful life, and assists the Village to better manage cash flow. Staff has received the final lease and escrow fund agreement, and is seeking approval of a resolution to complete the leasing process.

## **PROCESS**

Tax-exempt leasing offers municipalities an attractive financing option to fund various projects and assets. Some advantages that tax-exempt leasing provide are:

- Cash flow management – The Village is able to spread costs over time, which avoids large upfront expenditures that can strain budgets and deplete the Village's cash on hand.
- Lower overall costs – Tax-exempt lease payments are not subject to sales or property taxes.
- Fixed payments – Annual fixed payments make it easier to budget and forecast expenses.
- Favorable terms – The Village receives lower interest rates.
- Flexibility – The Village will own the assets at the end of the lease term.

### *Leasing Process*

As detailed at the October 8, 2024 Board of Trustees meeting, Village staff reached out to six (6) financing institutions for quotes on rates and financing charges over a five-year period. Four (4) quotes were received.

### *Increased Purchasing Power*

BMO Bank, the Village's current banking and finance institution, provided the lowest interest rate (4.110%) and financing charge over the five-year lease period. The annual lease payment for the six (6) vehicle and equipment items will be \$129,855.94.

Once the leasing agreement and all documentation is processed, BMO Bank will fund an escrow account for \$600,000 which the Village will use to pay for the seven (7) vehicle and equipment

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items that have been approved to replace. Any funds remaining in the escrow account, after all purchases are complete, will be returned to the Village.

<b>Department/Division</b>	<b>To Be Replaced</b>	<b>Replacement Type and Status</b>
Public Works	2001 Aerial Lift Truck	2024 Freightliner Aerial Lift Truck ( <i>board approved &amp; purchased</i> )
Landscape & Maintenance	2010 Ford F450 Dump Truck	*2024 Ford F550 and upfitting ( <i>will be brought to a future board meeting</i> )
Public Works	1984 Onan 30 Kw Towable Generator	2024 Kohler Towable Generator 120Kw ( <i>board approved &amp; purchased</i> )
Police-Criminal Investigation Unit (Detectives)	2016 Ford Utility	2024 Ford Police Interceptor and upfitting ( <i>board approved &amp; purchased</i> )
Building Maintenance	2017 Chevrolet Silverado	*2022 Ford F350 and upfitting ( <i>board approved &amp; purchased</i> )
Street Division Supervisor	2016 Ford Utility	2024 Ford Interceptor and upfitting ( <i>board approved &amp; purchased</i> )
Street Division	1995 Ingersoll Rand DD24 Roller	2024 Volvo DD35B Roller ( <i>board approved &amp; purchased</i> )

*\*Local Purchasing – Per the November 12<sup>th</sup> meeting agenda, our local dealer was unable to “meet or beat” the vehicle purchase price for the Ford F-350 truck. We are currently working with the local dealer to meet or beat the purchase of the Ford F550 truck. As it relates to local police vehicle purchasing - Our local dealership explained that it is impossible for them to “meet or beat” the costs for police vehicles because the vehicles come directly from the manufacturer to the specific dealership that specializes in police fleet inventory at the lowest cost.*

## OUTCOME

Passage of the resolution will allow the Village to complete the leasing process with BMO and proceed with the vehicle and equipment purchases that were identified to be funded through the leasing program.

## FINANCIAL IMPACT

- **Funding Source:** N/A
- **Budgeted Amount:** N/A
- **Cost:** N/A

## LEGAL REVIEW

Complete

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## **RECOMMENDED BOARD ACTION**

Pass a resolution for the 2024 vehicle and equipment leasing program between the Village of Homewood and BMO Bank, which will allow for the replacement of seven (7) vehicles and equipment that are past their useful life and will assist the Village to better manage cash flow.

## **ATTACHMENT(S)**

- Resolution
- Master Equipment Lease-Purchase Agreement
- Escrow Fund and Account Control Agreement