



**Springsted**

Springsted Incorporated  
380 Jackson Street, Suite 300  
St. Paul, MN 55101-3002  
Tel: 651.223.3000  
Fax: 651.223.3002  
[www.springsted.com](http://www.springsted.com)

November 9, 2017

Mr. Bryan Kidney, Finance Director  
City of Lawrence  
6 East 6th Street, PO Box 708  
Lawrence, KS 66044

**Re: Financial Lease Provider Recommendation**

Dear Mr. Kidney:

*Bryan*

**Introduction and Process**

The City has interest in providing an efficient, cost-effective means of financing capital equipment, predominately vehicles. The amount of the acquisitions is approximately \$1,054,699, which by adding related issuance costs yields, a total amount of approximately \$1,083,700. Lease payments are secured by the City by an annual appropriation of general revenues. Proposals were due on Monday, November 6<sup>th</sup> (attachment 2).

As to the award to a particular party, the City, at its sole discretion, will make its decision based on the proposal providing the most advantageous terms to the City. Advantageous terms include the overall interest costs and other related terms of sale put forth by the provider.

**Results of RFP process**

The City received five conforming responses, from one firm, US Bank submitting two approaches. These two approaches related to the optional prepayment provision, wherein their approach 1 has a lower interest rate but a 'non-par' call of 103% after 12 months; the other having a 'par call' but with a higher interest rate. Attachment 1 is a summary of the results based on the order of true interest rates with the lowest listed first.

**Recommendation**

Based on discussions with you, we recommend the City select US Bank, approach 1.

#### **Basis of Recommendation**

US Bank approach 1 provides the lowest total interest rate cost. The City considered the situation of the non-par call as compared to other proposals with a par call. The non-par call means to prepay the lease that the City would need to deposit more funds than the previously outstanding principal amount. The City considered the probability of prepayment over time, and if such a prepayment occurred it would have been the outstanding principal and resulting prepayment premium. The decision was that the ongoing lower interest costs coupled with the unknown future probabilities of prepayment lead to proceed with US Bank approach 1.

We understand the City is having legal counsel review the contractual terms of the proposed lease and, therefore, we are not discussing any of the lease contract specifics.

#### **Conclusion**

The competitive bidding approach illustrates the cost differences and related benefits to the City with almost a \$100,000 interest cost difference between the top and bottom proposals. The US Bank proposal, while presenting one trade-off, does best meet the City's objectives.

We appreciate again being of service to the City and welcome any discussion on this process and our recommendation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'D Mac', enclosed within a hand-drawn oval.

David N. MacGillivray, Chairman  
Client Representative

Attachments