

Memorandum

REPORT TO: City Commission

FROM: Melissa Hodnett, Finance Director

SUBJECT: A Resolution Prescribing the Form and Terms of the Lease(s) and Installment Purchase Agreement and Property Schedules

MEETING DATE: June 3, 2025

AGENDA ITEM TYPE: Finance

RECOMMENDATION: I move to approve the resolution.

STRATEGIC PLAN: 7.5. Funding and Delivery of City Services: Use equitable and sustainable sources of funding for appropriate City services, and deliver them in a lean and efficient manner.

BACKGROUND: The City's Biennium Budget includes debt proceeds to pay for capital expenses including, among other things, swim center improvements, fire station 2 construction, various furniture & fixtures, police vehicles, solid waste equipment, and stormwater equipment. On February 13, 2024, the City Commission approved Resolution 5581 Approving, Pursuing, and Negotiation a Lease-Purchase Financing arrangement. The City solicited proposals for a lease -purchasing arrangement and in April, 2024 JP Morgan was selected as the lowest responsible bidder.

The principal balance included in the initial issuance of lease debt under the master lease purchase agreement is \$5,925,900.98. The debt reimburses the city for \$725,905 for the swim center HVAC system, \$2,212,787.21 for the fire station 2 HVAC system, construction costs, various furniture & fixtures, and solar panels and installation, \$681,442.02 for 13 police patrol vehicles, \$1,920,229 for 5 solid waste trucks, and \$333,537.75 for a storm water pipe inspection van. The lease bundles these costs for terms ranging from 5 years for police patrol vehicles to 15 years for the HVAC systems. The final interest will be determined after resolution approval including authorization to enter into a rate lock agreement with a true interest cost of less than 4.50%, and a schedule not to exceed 16 years.

UNRESOLVED ISSUES: The final interest rate will not be determined until after resolution approval, but will not exceed 4.50%, and a schedule not to exceed 16 years.. This will allow the city to lock in the most advantageous rate prior to issuance.

ALTERNATIVES: The City could elect to cash fund the improvements and equipment which

would require other budget reductions to the corresponding funds.

FISCAL EFFECTS:

Lease proceeds will reimburse city departments for \$5,925,900.98 already incurred and paid. The lease payments are amortized over 5, 6, 7, 10, and 15 year terms depending on the anticipated useful life of the equipment being financed. The semi-annual lease payments will commence on 1/1/2026 and end on 7/1/2040. Estimates of the total principal and interest payments are included in the annual 2025 Biennium Budget and the FY26 Recommended Annual Operating Budget which will be presented to City Commission on June 10th.

Attachments:

[Master Lease Purchase Agreement and Schedule.v2.pdf](#)
[City of Bozeman - Sample Rate Lock Letter - 5.23.25.pdf](#)
[Resolution Approving Lease Purchase Financing.pdf](#)

Report compiled on: May 24, 2024