

MEMO

Date: October 6, 2021

To: Matthew Sturgis, Town Manager

From: John Quartararo, Finance Director

Re: Award of Lease-Purchase RFP

On October 6, 2021, we received an opened proposal for the lease-purchase of \$1,109,000 for 11 capital improvement projects approved in the FY 2022 budget. We received six bids, of which three had no exceptions, two had exceptions and one had a high rate. The two bids with exceptions declined to provide financing for the Village Green irrigation system and the parking lot at Spurwink School, that total \$107,500.

The low bid was from JP Morgan. They recently opened a bank branch on Commercial St, Portland, and their local representative of that office lives in Cape Elizabeth. The rate of 1.26% is illustrative and based on a 3-Year Interest Rate Swap index. The rate for that index is 0.670%, of which JP Morgan takes 79.0% and adds 0.7307%. The math is $(0.79) * (0.67) + 0.7307$. The next higher rate bid is 1.73% to move from the 1.26% to 1.73%, the base index rate would have to increase 0.60% or 60 basis points. The finally rate to be charged would be set three days before closing and will remain fixed for the full term of the financing. We are looking to close as soon as possible to lock in the lowest possible rate at or near the 1.26%.

Our bond counsel, James Saffian, Esq. of Pierce Atwood is preparing a lease-purchase order for the Council that will authorize the actual borrowing. The recommendation for the Council is to award the RFP to JP Morgan followed by approval of the lease-purchase order.

Included with this memo is the bid tabulation sheet. Marcy Weeks, School Business Manager sat in on the bid opening and verified the recording of the results.

I suggest the following Council order:

*The Council awards the lease-purchase bid to JP Morgan at an illustrative rate of 1.26% based on a 3-Year Interest Rate Swap index. The rate for that index is 0.670%, of which JP Morgan takes 79.0% and adds 0.7307%. The math is $(0.79) * (0.67) + 0.7307$. The actual rate will be set three days before closing and will remain fixed for the full term of the financing. The Council understands that the base rate would have to increase 0.60% or 60 basis point before the rate would equal the next higher rate of 1.73%.*

**TOWN OF CAPE ELIZABETH
BID TABULATION
5 OCTOBER 2021**

BID TITLE - LEASE-PURCHASE - \$1,109,000

DUE DATE: 10/5/2021 - NOON

ATTENDEES

STAFF - NAME

John Quartararo/Finance Director

Marcy Weeks/School Business Manager

OTHERS - NAME/REPRESENTING

None

<u>BIDDER</u>	<u>BID REC'D</u>	<u>METHOD</u>	<u>RATE</u>	<u>EST INT</u>	<u>EXPIRATION</u>	<u>EXCEPTIONS</u>
JP Morgan	10/4/2021	FedEx	1.26%	\$ 27,944.60	no date	Rate is based upon 79% of 3 Year Interest Rate Swap of 0.670% plus 0.7307% and will be adjusted and fixed 3 days before closing. (The base rate of 0.670% would have to increase by 60 bp to match the next lowest bidder.)
Gorham	10/5/2021	email	1.73%	\$ 39,127.10	11/15/2021	No exceptions
Androscoggin	9/30/2021	USPS	1.95%	\$ 43,242.91	10/29/2021	No exceptions
LEAF (Peoples United Bank)	10/5/2021	Drop Off	3.89%	\$ 87,768.55	no date	No exceptions to projects, but rate may be subject to change until we provide a Delivery & Acceptance Certificate. Rate is based upon like-term interest rate swaps as Fed Reserve website.
TD Equipment	10/5/2021	email	1.21%	\$ 24,234.54	no date	Partial bid on \$1,001,500 of projects. Declined to bid on \$107,500 for irrigation and parking lot projects. Rate is subject to change if not closed by 11/30/2021
Northeast (BB Comm Leasing Svcs)	10/5/2021	Drop Off	1.81%	Est interest not included. Due to the exceptions reported, we cannot estimate interest costs.	90 days from 10/4/2021 -	Partial bid on \$1,001,500 of projects. Declined to bid on \$107,500 for irrigation and parking lot projects. Also bidder broke the lease into 3 separate tranches with first tranche closing by 11/30/2021 1.81%. The second tranche closing 2/28/2022 based upon the expended delivery date with a maximum rate of 2.39%; and the third tranche closing 9/30/2022 based on the expected delivery date of the fire truck with a rate quote 60 days in advance at 5 yr T-Bill plus 90 bps