

ORDINANCE NO.: 2014-122

AUTHORIZING THE CITY OF COLUMBIA, SOUTH CAROLINA, TO EXECUTE AND DELIVER AN EQUIPMENT LEASE PURCHASE AGREEMENT IN THE AMOUNT OF NOT EXCEEDING \$7,000,000 BETWEEN THE CITY AND THE LESSOR THEREOF TO DEFRAY THE COST OF ACQUIRING CERTAIN EQUIPMENT; AND OTHER MATTERS RELATING THERETO.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF COLUMBIA, SOUTH CAROLINA, AS FOLLOWS:

Section 1. Findings and Determinations. The City Council (the "Council") of the City of Columbia, South Carolina (the "City"), hereby finds and determines:

(a) The City is an incorporated municipality located in Lexington County and Richland County, South Carolina, and as such possesses all powers granted to municipalities by the Constitution and laws of this State.

(b) Section 5-7-40 of the Code of Laws of South Carolina 1976, as amended (the "S.C. Code"), empowers all municipalities to own and possess real and personal property and such municipalities may lease any such property.

(c) The City desires to enter into a lease-purchase agreement (the "Lease Agreement") with a bank or other financial institution selected by the City Manager and Assistant City Manager/Chief Financial Officer for the purpose of financing the acquisition of the equipment set forth on Exhibit A hereto (the "Equipment").

(d) The Lease Agreement will not constitute a "financing agreement" and the Equipment will not constitute an "asset" as such terms are defined in Section 11-27-110 of the S.C. Code. Thus, the amount of the Lease Agreement will not be included when calculating the City's constitutional debt limit under Article X, Section 14 of the Constitution of the State of South Carolina.

(e) The Lease Agreement will be subject to annual appropriation by the Council.

(f) It is in the best interest of the City to acquire the Equipment by entering into the Lease Agreement. The Lease Agreement will enable the City to purchase the Equipment which will provide service necessary and useful to the operations of the City government.

Section 2. Approval of Lease/Purchase Financing; Delegation of Authority to Determine Certain Matters Relating to the Lease/Purchase Financing. The Equipment described in Exhibit A shall be acquired pursuant to a lease purchase financing which is hereby approved in a principal amount of not exceeding \$7,000,000. The Request for Proposals in the form set forth as Exhibit B hereto and the distribution thereof to various banks and other financial institutions in the City and other locations as the City Manager and Assistant City Manager/Chief Financial Officer determined, is hereby ratified and approved. Without further authorization, the City Council hereby delegates to the Mayor, the City Manager, the Assistant City Manager/Chief Financial Officer and the Finance Director, or any two of them acting together, the authority to: (a) determine the payment schedule under the Lease Agreement; (b) determine the date and time for receipt of bids under the Request for Proposals; (c) award the sale of the lease purchase financing to the bidder (the "Bidder") submitting the proposal determined to be the most advantageous to the City in accordance with the terms of the Request for Proposals; and (d) make changes to the quantity, cost or description of the Equipment set forth in Exhibit A attached hereto.

Section 3. Approval of Lease Agreement. Without further authorization, the Mayor, the City Manager and the Assistant City Manager/Chief Financial Officer, or any of them acting alone (each, an "Authorized Person"), is authorized to approve the form, terms and provisions of the Lease Agreement proposed by the Bidder, and to execute, acknowledge and deliver the Lease Agreement in the name and on behalf of the City. The Lease Agreement is to be in the form as shall be approved by any Authorized Person, the Authorized Person's execution thereof to constitute conclusive evidence of such approval.

Section 4. Execution of Documents; Ratification of Certain Actions. The Mayor, City Manager, Assistant City Manager/Chief Financial Officer, Finance Director, City Clerk and City Attorney are fully empowered and authorized to take such further actions and to execute and deliver such additional documents as may be reasonably requested by the Bidder to effect the delivery of the Lease Agreement, including any project fund or acquisition fund agreement, in accordance with the terms and conditions therein set forth and the transactions contemplated hereby and thereby, and the actions of such officers in executing and delivering any of such documents, in such form as any Authorized Person shall approve, is hereby fully authorized.

Section 5. Federal Tax Covenant. The City, as lessee under the Lease Agreement, agrees and covenants that it will not take any action which will, or fail to take any action which failure will, cause interest components of the payments to be made under the Lease Agreement to become includable in the gross income of the Bidder or its successors or assignees for federal income tax purposes pursuant to the provisions of the Internal Revenue Code of 1986, as amended ("Code") and regulations promulgated thereunder in effect on the date of the execution and delivery of the Lease Agreement, and that it will comply with all applicable provisions of Section 103 and Sections 141 through 150 of the Code, and any regulations promulgated thereunder, to maintain the exclusion from gross income for federal income tax purposes of the interest portion of the payments to be made under the Lease Agreement; and to that end the City shall:

- (a) comply with the applicable provisions of Section 103 and Sections 141 through 150 of the Code and any regulations promulgated thereunder so long as the Lease Agreement is outstanding;

- (b) establish such funds, make such calculations and pay such amounts in the manner and at the times required in order to comply with the requirements of the Code relating to required rebates of certain amounts to the United States; and
- (c) make such reports of such information at the times and places required by the Code.

The City will timely file Form 8038-G in accordance with the applicable regulations of the Internal Revenue Service.

The City Manager and Assistant City Manager/Chief Financial Officer of the City, or any one of them acting alone, are hereby authorized to adopt written procedures for and on behalf of the City to ensure the City's compliance with federal tax matters relating to the Lease Agreement.

It is the intention of the City that this Ordinance shall constitute an official intent of the City to enter into the Lease Agreement, which constitutes a tax-exempt obligation, in the future in a maximum amount not to exceed \$7,000,000 and to be reimbursed for up to the maximum amount of the expenditures made by the City with respect to the Equipment incurred no earlier than 60 days prior to the date of this Ordinance (if any) within the meaning of Treas. Reg. Section 1.150-2 and all other applicable regulations of the United States Treasury Department relating to the issuance of tax-exempt obligations.

Section 6. Filings with Central Repository. In compliance with Section 11-1-85 of the S.C. Code, the City covenants that it will file or cause to be filed with a central repository for further availability in the secondary bond market when requested; (a) a copy of the annual audit of the City within thirty (30) days of the City's receipt thereof; and (b) within thirty (30) days of the occurrence thereof, relevant information of an event which, in the opinion of the City, adversely affects more than five percent (5%) of the City's revenue or its tax base.

Section 7. Severability. All ordinances, resolutions and parts thereof, procedural or otherwise, in conflict herewith or the proceedings authorizing the execution of the Lease Agreement are, to the extent of such conflict, hereby repealed.

Section 8. Effective Date. This Ordinance shall be effective upon its enactment by the City Council for the City of Columbia, South Carolina.

[Execution page follows]

This Ordinance shall be forthwith codified in the Code of City Ordinances in the manner required by law.

ENACTED this 2nd day of December, 2014.

CITY OF COLUMBIA, SOUTH CAROLINA



(SEAL)

ATTEST:



Clerk

Mayor

Date of First Reading: November 18, 2014
Date of Second Reading: December 2, 2014

[Signature page]

EXHIBIT A

Equipment

Acquisition, replacement and installation of certain rolling stock and other equipment, including but not limited to the following: purchase of new cars, trucks and other vehicles and equipment for the police, fire, public works and parks departments of the City and purchase and installation of computers, software, equipment and systems for various departments of the City.

EXHIBIT B

Form of Request for Proposals

REQUEST FOR PROPOSALS

City of Columbia, South Carolina Equipment Lease-Purchase Financing, 2014

Response Due: December 4, 2014
12:00 Noon, South Carolina Time
Bids by facsimile: 803.545.3051

NOT BANK QUALIFIED

The City of Columbia, South Carolina (the "City"), is requesting proposals from various banks and financial institutions for not exceeding \$7,000,000 tax-exempt lease-purchase financing to defray the costs of acquisition of certain equipment as described herein. The City invites interested parties to submit a proposal to finance the equipment by specifying a rate of interest and other conditions for such financing.

Mailed or Hand Delivered Bids: Each mailed or hand delivered proposal shall be enclosed in a sealed envelope marked "Proposal for 2014 Equipment Lease Purchase" and should be mailed or delivered to:

Teresa B. Wilson, City Manager
City of Columbia
1737 Main Street
Columbia, SC 29201

Facsimile Bids: The City will accept the facsimile transmission of a proposal at the risk of the bidder. The City shall not be responsible for the confidentiality of proposals submitted by facsimile transmission. Any delay in receipt of a facsimile proposal, and any incompleteness or illegible portions of such proposal are the responsibility of the bidder. Proposals by facsimile transmission should be transmitted to the attention of Ms. Teresa B. Wilson, Fax No. 803.545.3051.

E-Mail Bids: Electronic proposals may be e-mailed to the attention of Ms. Teresa B. Wilson, City Manager, at tbwilson@columbiasc.net, with a copy to Michael J. Seezen, Special Counsel, at mseezen@mcnair.net.

PROPOSALS MAY BE DELIVERED BY HAND, BY MAIL, BY E-MAIL OR BY FACSIMILE TRANSMISSION, BUT NO PROPOSAL SHALL BE CONSIDERED WHICH IS NOT ACTUALLY RECEIVED BY THE CITY AT THE PLACE, DATE AND TIME APPOINTED, AND THE CITY SHALL NOT BE RESPONSIBLE FOR ANY FAILURE, MISDIRECTION, DELAY OR ERROR RESULTING FROM THE SELECTION BY ANY BIDDER OF ANY PARTICULAR MEANS OF DELIVERY OF BIDS.

Please note that this Request for Proposals is also being sent to a number of other institutions as well and that the City reserves the right to select the proposal determined to be the most advantageous to the City in its sole discretion. The selection process will be heavily

weighted toward lowest financing costs; however, lowest financing cost is not the only factor that may be considered by the City. The City reserves the right to reject any or all bid proposals as well as negotiate with the lowest responsible bidder.

I. Terms and Conditions

(a) Amount to be Financed: Not exceeding \$7,000,000. The City retains the option to reduce the total amount to be financed by up to 10%.

(b) Funding Options. Bidders may submit proposals on either or both of the following two bases:

1. Fully-Funded. Proceeds of the financing will be fully funded at closing, and deposited to an account held for the benefit of the City (the "Acquisition Account"). Interest will accrue on the full principal amount of the financing from the date of closing. If a bidder requires that the Acquisition Account be held by it or its designee, the bidder must so indicate on its proposal (including any fees required thereunder). Otherwise, the City retains the right to designate a bank to act as custodian of the Acquisition Account. Interest earnings in the Acquisition Account must accrue to the City.

2. Draw-Down. Proceeds of the financing will be advanced to the City on an as-needed basis, during the first twelve (12) months after the execution of the financing. Interest will accrue from the respective dates of each advance.

(c) Payments: The final payment of principal and interest shall be due on or before December 31, 2021. Payments of principal and interest shall be made monthly, commencing on the later of February 1, 2015 or the first day of the month following the first advance (if applicable), in approximately equal amounts until maturity.

Unless otherwise designated by a bidder, interest will be calculated based on a 360-day year comprised of twelve 30-day months.

(d) Guarantee of Interest Rate: The interest rate, costs and other terms of the bid submitted must be guaranteed from the date of your proposal to the closing date (expected to be on or about December 18, 2014). The fixed rate shall be a single rate of interest per annum which the Lease Agreement (as defined herein) is to bear until maturity or prior redemption and should be expressed as a percentage interest rate of one one-hundredth (1/100th) of a percent.

(e) Equipment/Form of Equipment Lease-Purchase Agreement: See attached Exhibit A for a description of the equipment proposed to be financed. A bidder's proposed form of lease agreement ("Lease Agreement") should

be provided to the City's Special Counsel within three (3) business days of the award of the successful proposal.

- (f) **Non-appropriation**: A non-appropriation provision acceptable to the City must be included in the Lease Agreement. Any and all amounts due including, but not limited to, scheduled lease payments, reimbursements, penalties or fees under the Lease Agreement or any Acquisition Account (as defined below) must be subject to annual appropriation by the City.
- (g) **Non-substitution**: A non-substitution provision is not permitted to be included in the Lease Agreement.
- (h) **Deficiency Judgment**: No deficiency judgment can be assessed or imposed against the City nor will the full faith, credit and taxing power of the City be pledged to the payment of the Lease Agreement.
- (i) **Title**: Title to the equipment will be in the name of the City subject to the bidder's rights under the Lease Agreement. The successful bidder shall be responsible for taking all actions it deems necessary to impose its lien upon or perfect any security interest in the equipment.
- (j) **Payments for Equipment**: Payments from the Acquisition Account or amounts advanced by the successful bidder, as applicable, may be made either to the City as reimbursement for prior expenditures or directly to the equipment vendor for payment of the equipment as directed by the City.
- (k) **Costs of Issuance**: All costs relating to the preparation of the Lease Agreement and fees of Special Counsel will be paid by the City. Any fees and costs of the bidder to be paid by the City must be stated in the response to this Request for Proposals. The Lease Agreement must allow the City to pay its legal fees and costs related to execution and delivery of the Lease Agreement out of the proceeds of the Lease Agreement.
- (l) **Insurance**: The City is self-insured for property, casualty and general liability risks. The equipment will be insured in a similar manner.
- (m) **Closing**: The City expects to accept the successful proposal on December 4, 2014, and close the transaction on December 18, 2014.
- (n) **Prepayment**: Unless otherwise specifically provided in a bidder's proposal and agreed to by the City, the Lease Agreement will be subject to prepayment at the option of the City in whole or in part at any time without any prepayment penalty.

II. Form of Proposal

- (a) The proposal must be in writing. It is preferred that a bidder's proposal not be subject to further credit or underwriting approval.
- (b) No proposal may be modified by a bidder after it has been submitted.
- (c) Proposals should include: the name, address, telephone number of your institution; the primary contact; and identity of legal counsel, if any.
- (d) Proposals must be accompanied with a list of all requirements and conditions associated with its bid.
- (e) Proposals must indicate a single interest rate for the lease term and it is requested that proposals include an amortization schedule showing annual payment amounts for the term of the financing.
- (f) Proposals must provide full disclosure of all financing costs, including any closing, legal, and tax opinion charges.
- (g) Any prepayment penalty or other fee requirements should be detailed in the proposal.

III. Evaluation of Proposals and Award

The Lease Agreement will be awarded to the bidder that provides the most advantageous proposal as determined by the City in its sole and absolute discretion. After the proposals are received, they will be evaluated by the officials of the City based on various factors, including, but in no way limited to, the interest rate, prepayment penalties or limitations, additional credit or underwriting approval, additional covenants and terms, if any, and other conditions set forth therein. The City reserves the right to reject any and all bids or to waive irregularities in any proposal. The City expects to accept the successful proposal by the close of business on December 4, 2014.

IV. Legal Opinion. The execution and delivery of the Lease Agreement is subject to the approving opinion of the McNair Law Firm, P.A., Special Counsel.

V. Tax Exemption and Other Tax Matters. The Code, and the Treasury Regulations promulgated thereunder, includes provisions that relate to tax exempt obligations, such as the Lease Agreement, including, among other things, permitted uses and investment of the proceeds of the Lease Agreement and the rebate of certain net arbitrage earnings from the investment of such proceeds to the United States Treasury. Noncompliance with these requirements may result in interest paid under the Lease Agreement becoming subject to federal income taxation retroactive to the date of issuance of the Lease Agreement. The City has covenanted to comply with the requirements of the Code to the extent required to maintain the exclusion of interest on the Lease Agreement from gross income for federal tax purposes. Failure of the City to comply with these covenants could cause the interest on the Lease Agreement to be taxable retroactively to its date of issuance.

The Code imposes an alternative minimum tax on a taxpayer's alternative minimum taxable income. Interest on the Lease Agreement is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations.

The accrual or receipt of interest on the Lease Agreement may affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Prospective purchasers of the Lease Agreement should be aware that ownership of the Lease Agreement may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers otherwise entitled to claim the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Lease Agreement. Special Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Lease Agreement should consult their tax advisors as to collateral federal income tax consequences.

Special Counsel has not undertaken to determine (or to inform any person) whether any action taken (or not taken) or event occurring (or not occurring) after the date of issuance of the Lease Agreement may affect the tax status of interest on the Lease Agreement. In rendering its opinion, Special Counsel will rely upon certificates and representations of the City with respect to certain material facts solely within the knowledge of the City relating to the application of the proceeds of the Lease Agreement.

VI. Investment Letter. The lessor will be requested to execute a letter to the City in substantially the form submitted with this Request for Proposals.

VII. Additional Information. If you should have any questions regarding the Request for Proposals, you should contact:

Teresa B. Wilson
City Manager
Phone: 803.545.3026
E-Mail: tbwilson@columbiasc.net

Michael J. Seezen, Esq.
McNair Law Firm, P.A.
Phone: 803.799.9800
E-Mail: mseezen@mcnair.net

/s/ Teresa B. Wilson
City of Columbia, South Carolina

November 20, 2014

EXHIBIT A

Equipment

Acquisition, replacement and installation of certain rolling stock and other equipment, including but not limited to the following: purchase of new cars, trucks and other vehicles and equipment for the police, fire, public works and parks departments of the City and purchase and installation of computers, software, equipment and systems for various departments of the City.