

City of Cincinnati



Date: August 3, 2009

To: Mayor and Members of Council

From: Milton Dohoney Jr., City Manager

RE: **ORDINANCE – RECYCLING CARTS LEASE**

Attached is an ordinance captioned:

AUTHORIZING, the City Manager to enter into a Tax Exempt Lease Facility agreement with Key Government Finance, Inc. for the purpose of financing the purchase of new recycling carts.

On May, 21, 2008 (Document #2008000634) City Council directed the Administration to develop an enhanced recycling program. As part of developing an enhanced recycling program the Office of Environmental Quality determined that it would improve recycling effort in the City of Cincinnati to offer residents larger wheeled recycling carts. Upon passage of this ordinance, the Office of Environmental Quality will negotiate an appropriate final Tax Exempt Lease Facility with Key Government Finance, Inc. to purchase the recycling carts. The Administration recommends passage of this ordinance.

Attachment

cc: Larry Falkin, Director, Office of Environmental Quality

EMERGENCY

CMZ

-2009

AUTHORIZING the City Manager to enter into a Tax Exempt Lease Facility agreement with Key Government Finance, Inc. for the purpose of financing the purchase of new recycling carts.

WHEREAS, City Council directed the administration to develop an enhanced recycling program pursuant to a motion passed on May 21, 2008 (Document # 2008000634); and

WHEREAS, as part of developing an enhanced recycling program the Office of Environmental Quality determined that it would improve the recycling effort in the City of Cincinnati to offer residents larger wheeled recycling carts equipped with radio frequency identification (RFID) tags; and

WHEREAS, on December 10, 2008, the City of Cincinnati's Office of Environmental Quality issued a Request for Proposals ("RFP") in order to obtain such recycling carts; and

WHEREAS, Cascade submitted a proposal in response to the RFP on March 20, 2009; and

WHEREAS, the proposal from Cascade was selected as the "Most Advantageous" to the City of Cincinnati on April 17, 2009; and

WHEREAS, the Office of Environmental Quality has determined that it is advantageous to the City to purchase the recycling carts from Cascade through a ten-year Tax Exempt Lease Facility through Key Government Finance, Inc.; and

WHEREAS, the Office of Environmental Quality recommends that the City enter into a ten-year Tax Exempt Lease Facility that incorporates the terms and complies with the summary contained in Exhibit A, attached hereto; and

WHEREAS, upon passage of this ordinance, the Office of Environmental Quality will negotiate an appropriate final Tax Exempt Lease Facility with Key Government Finance, Inc. to purchase the recycling carts; and

WHEREAS, the Office of Environmental Quality will provide the Mayor and all members of Council a copy of the final Tax Exempt Lease Facility after it has been executed by the City and Key Government Finance, Inc.; now, therefore,

BE IT ORDAINED by the Council of the City of Cincinnati, State of Ohio:

Section 1. That the City Manager is hereby authorized to enter into a ten-year Tax Exempt Lease Facility with Key Government Finance, Inc. that incorporates the terms and complies with the summary contained in Exhibit A, attached hereto and made a part hereof, for the purpose of financing the purchase of new recycling carts from Cascade.

Section 2. That this ordinance shall be an emergency measure necessary for the preservation of the public peace, health, safety and general welfare and shall, subject to the terms of Article II, Section 6 of the Charter, be effective immediately. The reason for the emergency is to finalize the financing agreement to purchase the recycling carts so the enhanced recycling program can be implemented as soon as possible.

Passed _____, 2009

Mayor

Attest: _____
Clerk



The City of Cincinnati, Ohio

\$3,530,076.00

**Proposed Tax Exempt Lease - Trucks
Summary of Terms and Conditions**

July 28, 2009

Lease Facility: A \$3,530,076.00 Tax-Exempt Lease Facility (the "Lease Facility") will be made available to the City of Cincinnati, Ohio, "City", to finance the new refuse containers currently under consideration.

Funding: The \$3,530,076.00 Lease Facility will be used to fund 100% of the Project Cost.

Tax Ownership: Lessee will be deemed the owner of the Property for income tax and bankruptcy purposes.

Title: Lessee will hold Title to the Property.

Parties to the Transaction

Lessee: The City of Cincinnati, Ohio.

Lessor: Key Government Finance, Inc., a 100%-owned direct subsidiary of KeyCorp

The Property

Property: Refuse Containers supplied by Cascade.

The Lease

The Closing Date: TBD

Master Lease Agreement: On the Closing Date for any financing, the Lessor and Lessee will execute a Master Tax-Exempt Lease Purchase Agreement and a Property Schedule evidencing this financing.

Escrow Funding: Escrow funding of the Lease Proceeds into a Key Bank Account is available for any financing. Key will work directly with the City to maximize investment yields on all funds deposited into the Escrow Account. There are no costs associated with establishing the Escrow Account. All earnings within the Escrow Account accrue to the benefit of the City.

Pricing Examples: Based on a 9/1/2009 Funding with payments due 2/1 of each year commencing 2/1/2010 – Ten (10) Total Payments.

Option 1:

Amount	Rate	Payments	Payment Number	Pmts / Year	Term	Mode
\$3,530,076.00	5.76%	\$462,027.72	1 - 10	1	10 Years	Custom

Option 2:

Amount	Rate	Payment	Payment Number	Pmts / Year	Term	Mode
\$3,530,076.00	5.64%	\$741,671.29	1 - 2	1	10 Years	Custom
		\$366,671.29	3 - 10	1	10 Years	Custom

Rate Index: Rates quoted are based on KeyCorp's Cost of Funds as of July 28, 2009 and shall be subject to review and possible adjustment prior to closing based on any movement in the KeyCorp's Cost of Funds used for this Proposal.

Documentation and Closing

Lease and Related Documentation: All documents relating to any Property Schedule shall be attorney prepared and in a form and substance acceptable to the Lessor and its legal counsel, including legal opinions customary for transactions of this nature including an qualified opinion of validity and tax-exemption opinion

Transaction Costs: None

Confidentiality: This summary of terms and conditions is provided to Lessee with the understanding that neither it nor its substance shall be disclosed to any third party, other than those in a confidential relationship with Lessee such as legal counsel or accountants who shall be bound by confidentiality or where disclosure is required by law.

Interest Rate: The interest rate quoted herein assumes that the interest component of the payments will be exempt from Lessor's federal income tax. KGF will provide a taxable financing proposal if it is determined that the financing will not qualify for tax-exempt interest rates.

Comments: Key Bank, NA shall require the City to maintain a Depository Relationship during the term of the financing. Alternative Lease Structures are available. It is important to note that Key Government Finance has successfully worked with many tax-exempt Cities in Ohio including the City of Cincinnati to provide tax-exempt financing. Key's extensive efforts to establish and promote this type of financing coupled with our knowledge, experience and working relationship with the City of Cincinnati on similar transaction, will aid in a quick and easy closure to any financing arrangement.

Proposal Acceptance/Expiration

The terms described in this proposal will expire on August 15, 2009 if we have not received a copy signed by you on or before such date.

This proposal is issued in reliance upon the accuracy of all information presented by you to us and is contingent upon the absence of any material adverse change in the Equipment or your condition, financial or otherwise, from the condition as it was represented to us at the time of this proposal. **WE HAVE NOT GIVEN, AND WE HEREBY DISCLAIM ANY ADVICE, REPRESENTATION, WARRANTY OR COVENANT, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE EQUIPMENT AND THE LEGAL, ECONOMIC, ACCOUNTING, TAX AND/OR OTHER EFFECTS OF THE TRANSACTIONS CONTEMPLATED THEREBY.** This proposal is subject to our formal Credit Approval, asset review, due diligence on the refuse container supplier, warranty provided and the execution of documentation acceptable to each of us. **IT IS NOT A COMMITMENT BY US TO ENGAGE IN THIS TRANSACTION.**

If the foregoing meets with your approval, please sign the enclosed copy and return it to us, together with your application, on or before the proposal Expiration Date. Our receipt of a signed copy constitutes your application for consideration by us for the transaction summarized in this proposal, and, as required by Federal law, to obtain, verify, and record information that identifies you and each person or entity to whom we provide services.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR APPLYING FOR FINANCING WITH US

To help the government fight the funding of terrorism and money laundering activities, federal law requires us to obtain, verify, and record information that identifies each customer who opens an account or applies for financing. Therefore, all new and existing customers are subject to the identity verification requirements.

When a customer applies for financing with us, we will ask for the customer's name, address and identification number, and, in the case of an individual, his or her date of birth. For business accounts, we may also obtain this information for individuals associated with the business. We may also request to see a driver's license or other identifying documents. In all cases, we are committed to protecting the privacy and identity of each of our customers.

APPROVED THIS ___ DAY OF _____, 2009

City of Cincinnati, Ohio

By: _____

Print Name: _____

Title: _____

Federal Tax ID: _____

Your State of Incorporation: _____

Your Fiscal Year End: _____