

Effectively Marketing & Funding in the Municipal Sector

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2015 Annual NAELB Conference

Overview/Basics of Muni Leasing

■ Who Qualifies?

- Cities
- Counties
- Public School Districts
- "Special Districts" (water, fire, authorities)
- Townships
- State Agencies
- Volunteer Fire Departments
- State and Community Colleges

Overview/Basics continued...

■ How Do They Qualify?

■ Section 103 or Section 150(e) of "the Code"

- Section 103 pertains to **standard** issuance of tax-exempt lease obligations by municipalities. Entities must possess at least ONE of the three "powers" to issue:
 - Power to Tax
 - Police Power
 - Power of Eminent Domain

Overview/Basics continued...

- **Section 150(e) of the Internal Revenue Code relates ONLY to how volunteer fire departments qualify to issue tax-exempt obligations**
 - VERY specific that 95% of the proceeds from a tax-exempt issuance must be used to finance a fire truck or a fire station. No ambulances or loose equipment.
 - VERY specific documentation requirements must be met when funding volunteer transactions to meet IRS regulations
 - Public hearing must be held
 - Notice in local newspaper 14 days prior to public hearing
 - Resolution provided by governing body

Overview/Basics continued...

- **General Laws and Rules to Watch:**
 - Tax-exempt leases can be issued ONLY when ownership is intended AT ALL TIMES to be with the Lessee. Finance/ownership leases, **no true leases**.
 - **Usury laws per state – deals will be sold by RATE!**
 - State specific laws that pertain to the issuance of tax-exempt leases – make sure your Lessor knows what they're doing!
 - Standard lease documentation
 - Amortization schedule that shows a P&I breakdown – some states or munis might require the interest rate to be shown!
 - 8038 IRS reporting form with EVERY issuance
 - Basic acceptances, t's and c's, etc.

Who's Funding These Deals?

- **Check NAELB Funding Sources**
 - Get established and learn their guidelines
 - What's their experience in funding muni deals?
 - What types of collateral do they desire? Limits?
 - Term limitations for certain equipment?
 - **Point limitations? – see usury law concerns**
 - Competitiveness on rates?
 - How simple is their credit and documentation processes? Turnaround time on both?
 - Funding time after delivery has been made?

Who's Funding These Deals (Cont...)

- Local Banks
 - Be cautious and wise when working with the local banks as a funder.
 - May or may not have an interest depending on the collateral and structure of the deal
 - May try to go direct to the municipality since they have no allegiance to you
 - May or may not be experienced in how to handle the lease documentation and filing of appropriate paperwork
 - If you supply paperwork to local bank, there could be potential liability if not documented correctly

Marketing Targets

- Types of Vendors and Equipment to Target...
 - CURRENT customers/vendor base
 - Computer vendors for both billing software designed specifically for municipalities, or educational-related equipment for schools.
 - Copier vendors
 - Telephone equipment and all office-related collateral (furniture, desks, etc.)
 - Exercise/Weight Equipment for Schools
 - Playground Equipment
 - Telecommunications equipment
 - GPS Systems, Radios, Laptops for police cars, 911

Marketing Targets continued...

- Motor vehicles
 - School buses
 - Police Cars
 - Fire Trucks, Rescue Units
 - Ambulances
 - Motor Graders/Construction related equipment
 - Dump Trucks, Refuse Trucks, etc.
- Turf Equipment - mowers, tractors, etc.
- Fire related equipment – SCBA's, foam units, venting systems, loose equipment, etc.
- Modular Buildings
- Energy Management/HVAC Systems

Training and Supporting Vendors

- Do you or the vendor have a dedicated municipal salesperson?
- How much volume or profit do you need to offer this program?
- Are you marketing municipal or supporting existing vendors?
- Making it easy to quote municipal. Rates and applications.
- Sample documents. RFQ's
- Know the particulars of your vendor's asset type. IE: Copiers. CPC, out clauses for non-performance, etc.
- Private label or not?
- Understanding BQ and NBQ.

Marketing Targets continued...

- Attend Trade Shows and Association Conferences
 - Communications shows
 - Educational associations
 - Leagues of Counties or Municipalities
 - School Board Associations Local & National

Marketing Targets continued...

- Direct Contact with Municipalities
 - Contact National Association of Counties, National Association of Cities, or local state associations of counties or cities
 - States department of educations with a listing of every school in your state
 - Association of townships
 - Fire district and volunteer fire associations
 - Search web to get on direct bid lists for municipal entities
 - Market Lessee's that you've closed deals with and stay in touch with them!!!

Marketing Targets continued...

- Advertise
 - The Monitor
 - Industry-specific publications
 - Fire magazines
 - Communications magazines and newspapers
 - Website

Be Prepared

- Quotes & Requests
 - Provide immediate turnaround to your vendors and/or Lessee's with bid requests and questions.
 - Educate everyone involved and service the transaction from the bid stage until your vendor is paid.
 - Stay the course and service, service, service! A muni deal can take a lot of time and energy, but by being knowledgeable about the services you're providing, providing an excellent customer service base, and educating a customer on how to best increase their sales, you will get your name out as a premier broker in the muni industry that knows what they're doing!
