



CITY OF NEW BEDFORD
JONATHAN F. MITCHELL, MAYOR

March 18, 2021

City Council President Joseph P. Lopes, and
Honorable Members of the City Council
133 William Street
New Bedford, MA 02740

Dear Council President Lopes and Honorable Members of the City Council:

I am requesting your approval of the attached order authorizing the City to enter into a capital lease for the purchase of replacement vehicles assigned to the departments of Facilities and Fleet Management, Public Infrastructure and the Fire Department.

The FY 2021 budget includes funding to continue the City's vehicle replacement program. This program was initiated in FY 2016, in part as a response to ongoing attrition to the City's snow removal fleet. As a result of the vehicle replacement program, the average age of the fleet has been reduced from 20 years to 12. These efforts must continue in order to ensure that the City possesses adequate response capabilities going forward.

This year's purchase will replace 10 vehicles and accommodate four new purchases, of which two will be funded by the Wastewater Enterprise Fund. The vehicles to be replaced average 18 years old, while the new purchases in the General Fund will be assigned to field supervisors, which will allow DFFM to conserve the utilization of vehicles designated for snow removal operations, and the purchases in the Wastewater Enterprise Fund will allow for more effective maintenance of the City's wastewater infrastructure in compliance with the Administrative Order and MS4.

The entire package will total \$1,853,076, of which \$1,087,050 will be funded by the General Fund and \$766,026 by the Wastewater Enterprise Fund, with the first payments scheduled to occur in FY 2022. The attached order will authorize the City to enter into a five year lease purchase agreement at an extremely favorable interest rate of 3.095%, thereby allowing us to address these serious needs.

Thank you for your consideration of this important request.

Sincerely,

Jon Mitchell
Mayor

IN CITY COUNCIL, March 25, 2021

Referred to the Committee on Finance – Yeas 11, Nays 0.

Dennis W. Farias, City Clerk

a true copy, attest:

City Clerk

Email/Fax Proposal from Ron Klein

DATE: March 10, 2021
TO: Ari Sky – CFO
FAX/EMAIL: Ari.Sky@newbedford-ma.gov

All American Investment Group, LLC (All American) is pleased to provide you with the following tax-exempt lease purchase financing proposal for **New Bedford, MA (as "Municipal Client")**.

EQUIPMENT/PROJECT: Multiple Vehicles
ACQUISITION COST: \$1,853,075.60
DOWN PAYMENT: \$ 0.00
AMOUNT FINANCED: \$1,853,075.60
LEASE TERM: 5 Fiscal Year Term
FREQUENCY OF PAYMENTS: Annual in Arrears
INTEREST RATE: * 3.095%
PAYMENT AMOUNT (starting 7-20-2021): \$397,673.23
LEASE START DATE: March 20, 2021
FIRST PAYMENT DUE: July 20, 2021 and then annually thereafter each year
* This rate expires on 3/31/2021.

New Bedford - General Fund Payment Schedule

	Date	Payment	Interest	Principal	Balance
Loan	3/20/2021				1,087,049.60
1	7/20/2021	233,282.72	11,401.64	221,881.08	865,168.52
2	7/20/2022	233,282.72	26,776.97	206,505.75	658,662.77
3	7/20/2023	233,282.72	20,385.61	212,897.11	445,765.66
4	7/20/2024	233,282.72	13,796.45	219,486.27	226,279.39
5	7/20/2025	<u>233,282.72</u>	<u>7,003.33</u>	<u>226,279.39</u>	0.00
Totals		1,166,413.60	79,364.00	1,087,049.60	

New Bedford - Wastewater Fund Payment Schedule

	Date	Payment	Interest	Principal	Balance
Loan	3/20/2021				766,026.00
1	7/20/2021	164,390.51	8,034.55	156,355.96	609,670.04
2	7/20/2022	164,390.51	18,869.30	145,521.21	464,148.83
3	7/20/2023	164,390.51	14,365.41	150,025.10	314,123.73
4	7/20/2024	164,390.51	9,722.14	154,668.37	159,455.36
5	7/20/2025	<u>164,390.51</u>	<u>4,935.15</u>	<u>159,455.36</u>	0.00
Totals		821,952.55	55,926.55	766,026.00	

TERMS AND CONDITIONS:

- This proposal is subject to credit review, approval and execution of mutually acceptable lease documentation.
- Payments under the lease are subject to annual appropriations and to all authorizations required under law.
- This transaction will be designated as tax-exempt under Section 265(b)(3) of the IRS Code of 1986.

The undersigned certifies under penalties of perjury that this bid or proposal has been made and submitted in good faith and without collusion or fraud with any other person. As used in this certification, the word "person" shall mean any natural person, business, partnership, corporation, union, committee, club, or other organization, entity, or group of individuals.

All American Investment Group, LLC
1890 Hunters Drive, Steamboat Springs, CO 80487
Direct Toll Free: 877-539-3500 Fax: 970-797-1979 Cell: 970-596-5353 Email:

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FEDERALLY REQUIRED DISCLOSURE DOCUMENT

MSRB Rule G-17 Disclosure from All American Investment Group, LLC

Dear Municipal Client,

This document describes our placement agent services, and provides certain disclosures as required by the Municipal Securities Rulemaking Board (MSRB) Rule G-17 as set forth in Notice 2012-25. Under new federal regulations, all underwriters and placement agents are now required to send the following disclosures to you as the borrower of the **Lease Purchase Agreement** (the "Securities") in order to clarify the role of an underwriter or placement agent and other matters relating to a private placement of the Securities.

As the borrower of the Securities, you will be a party to certain legal documents to be entered into in connection with the authorization and advancement of the Securities and any material financial risks described in this letter will be borne by you, as set forth in those legal documents.

Our Role as Placement Agent:

In serving as placement agent for the Securities, these are some important disclosures that clarify our role and responsibilities:

1. MSRB Rule G-17 requires us to deal fairly at all times with both municipal issuers and investors;
2. Our primary role is to act as a Placement Agent for borrower (the "Issuer") with a view to arrange for a placement of the Securities on commercially reasonable rates and terms while we have financial and other interests that differ from your interests;
3. Unlike a municipal advisor, we do not have a fiduciary duty to you under the federal securities laws and we are, therefore, not required by federal law to act in your best interests without regard to our own financial or other interests;
4. We have a duty to place the Securities for you at a fair and reasonable price, but must balance that duty with our duty to sell the Securities to investors at prices that are fair and reasonable; and
5. If applicable, we will review the official statement for the issuance of the Securities in accordance with and as part of our responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the transaction (however, we do not presently expect that an official statement will be prepared with respect to the Securities).

Our Compensation:

Our compensation for serving as the placement agent for the Securities will be contingent on the closing of the transaction and will be based on the par amount of the Securities. The rules of the MSRB require us to inform you that compensation that is contingent on the closing of a transaction or par amount of a transaction presents a conflict of interest, because it may cause us to recommend a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

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Risk Disclosures:

In accordance with the requirements of MSRB Rule G-17, attached to this letter as Appendix A is a description of the material aspects of typical fixed rate municipal bonds, as modified to reflect some of the unique characteristics of the Securities. Attached as Appendix B is a description of the material aspects of the Securities which may be considered unique and/or complex. This letter may be later supplemented if the material terms of the Securities change from what is described here.

If you have any questions or concerns about these disclosures, please make those questions or concerns known immediately to me at the contact information below. In addition, you should consult with your own financial, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

Under MSRB Rules, we are required to seek your acknowledgement that you have received this letter. Accordingly, please send me an email to that effect, or sign and return the enclosed copy of this letter to our main office at the address below:

All American Investment Group
730 17th Street, Suite 830
Denver, CO 80202

Respectfully submitted,

All American Investment Group, LLC

Authorized Officer

ACCEPTED this ____ day of _____, 2015.

Authorized Officer

Appendix A – Fixed Rate

The following is a general description of the financial characteristics and security structures of fixed rate municipal obligations, including the Securities ("Fixed Rate Obligations"), as well as a general description of certain financial risks that you should consider before deciding whether to issue Fixed Rate Obligations.

Financial Characteristics

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Maturity and Interest. Obligations are interest-bearing debt securities issued by state and local governments, political subdivisions and agencies and authorities. Maturity dates for Fixed Rate Obligations are fixed at the time of issuance and may include serial maturities (specified principal amounts are payable on the same date in each year until final maturity) or one or more term maturities (specified principal amounts are payable on each term maturity date) or a combination of serial and term maturities.

Redemption. Obligations may be subject to optional redemption, which allows you, at your option, to redeem some or all of the Fixed Rate Obligations on a date prior to scheduled maturity, such as in connection with the issuance of refunding Fixed Rate Obligations to take advantage of lower interest rates.

Fixed Rate Obligations may be subject to redemption only after the passage of a specified period of time and upon payment of the redemption price set forth in the Fixed Rate Obligations, which may include a redemption premium.

Security

Payment of principal of and interest on a municipal security, including Fixed Rate Obligations, may be backed by various types of pledges and forms of security. The Securities have certain features in common with Annual Appropriation Obligations, described below, subject to the caveats described below. Your issuance of the Securities is referred to below as the "Obligations":

Annual Appropriation Obligations. Annual Appropriation Obligations are not considered debt, but are securities whose repayment is subject to annual appropriation by the borrower. The issuer of annual appropriation obligations is not legally compelled to make payment of principal or interest on such securities beyond the current fiscal year.

In the event of default in the payments of interest or principal on annual appropriation obligations, the holders remedies are limited to the collateral specified in the financing documents.

In the case of the Securities, you are issuing annual appropriation obligations and as such, purchasers of the Securities are entitled to all payments appropriated for principal and interest on the Securities when due and may take possession of the collateral and lease the collateral to another party to recoup amounts remaining owed on the Securities.

Financial Risk Considerations

Certain risks may arise in connection with your issuance of the Securities (referred to below as the "Obligations"), including some or all of the following:

Issuer Default Risk. You may be in default if the funds pledged to secure your Obligations are not sufficient to pay debt service on the Obligations when due. The consequences of a default may be serious for you and, depending on applicable state law and the terms of the authorizing documents, the holders of the Obligations, the

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trustee and any credit support provider may be able to exercise a range of available remedies against you. Other budgetary adjustments also may be necessary to enable you to provide sufficient funds to pay debt service on the Obligations. A default may negatively impact your credit ratings and may effectively limit your ability to publicly offer bonds or other securities at market interest rate levels. Further, if you are unable to provide sufficient funds to remedy the default, subject to applicable state law and the terms of the authorizing documents, you may find it necessary to consider available alternatives under state law, including (for some issuers) state-mandated receivership or bankruptcy. A default also may occur if you are unable to comply with covenants or other provisions agreed to in connection with the issuance of the Obligations.

This description is only a brief summary of issues relating to defaults and is not intended as legal advice. You should consult with your bond counsel for further information regarding defaults and remedies.

Redemption Risk. Your ability to redeem the Obligations prior to maturity may be limited, depending on the terms of any optional redemption provisions. In the event that interest rates decline, you may be unable to take advantage of the lower interest rates to reduce debt service.

In the case of the Securities, optional prepayment is permitted.

Refinancing Risk. If your financing plan contemplates refinancing some or all of the Obligations at maturity (for example, if you have term maturities or if you choose a shorter final maturity than might otherwise be permitted under the applicable federal tax rules), market conditions or changes in law may limit or prevent you from refinancing those Obligations when required. Further, limitations in the federal tax rules on advance refunding of Obligations (an advance refunding of Obligations occurs when tax-exempt Obligations are refunded more than 90 days prior to the date on which those Obligations may be retired) may restrict your ability to refund the Obligations to take advantage of lower interest rates.

Reinvestment Risk. You may have proceeds of the Obligations to invest prior to the time that you are able to spend those proceeds for the authorized purpose. Depending on market conditions, you may not be able to invest those proceeds at or near the rate of interest that you are paying on the Obligations, which is referred to as "negative arbitrage."

Tax Compliance Risk. The issuance of tax-exempt Obligations is subject to a number of requirements under the United States Internal Revenue Code, as enforced by the Internal Revenue Service (IRS). You must take certain steps and make certain representations prior to the issuance of tax-exempt Obligations. You also must covenant to take certain additional actions after issuance of the tax-exempt Obligations. A breach of your representations or your failure to comply with certain tax-related covenants may cause the interest on the Obligations to become taxable retroactively to the date of issuance of the Obligations, which may result in an increase in the interest rate that you pay on the Obligations or the mandatory redemption of the Obligations. The IRS also may audit you or your Obligations, in some cases on a random basis and in other cases targeted to specific types of Obligations issues or tax concerns. If the Obligations are declared taxable, or if you are subject to audit, the market price of your Obligations may be adversely affected. Further, your ability to issue other tax-exempt Obligations also may be limited.

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This description of tax compliance risks is not intended as legal advice and you should consult with your bond counsel regarding tax implications of issuing the Obligations.

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Appendix B - Complex Risks

Financial Characteristics

The following is a general description of additional financial characteristics of the Securities, as well as a general description of certain financial risks that are known to us and reasonably foreseeable at this time and that you should consider before deciding whether to proceed with the Securities. If you have any questions or concerns about these disclosures, please make those questions or concerns known immediately to us. In addition, you should consult with your financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

Description of Unique Qualities of Lease Purchase Agreement Securities. Some of the terms of the Securities are similar to terms of commercial bank loans, which tend to have different characteristics than traditional municipal bond financings in several respects. They often have triggers for events of default that differ from traditional municipal bonds and remedies that can also vary from those frequently used in the traditional bond market. The Securities may have some of these characteristics. Also see the covenants section of the documents, which may vary slightly from traditional municipal financings.

Description of the Maturity Structure. The Securities are currently structured with an approximate 5 year final maturity with principal payments until the final maturity date.

Financial Risk Considerations

Certain risks may arise in connection with a bank loan, including some or all of the following:

Bank Qualification. Pursuant to the United States Internal Revenue Code, banks may deduct 80% of the carrying cost of a “qualified tax-exempt obligation.” In order for Securities to be qualified tax-exempt obligations the bonds must be (i) issued by a “qualified small issuer,” (ii) issued for public purposes, and (iii) designated as qualified tax-exempt obligations. A “qualified small issuer” is (with respect to bonds issued during any calendar year) an issuer that issues no more than \$10 million of tax-exempt bonds during the calendar year. The Issuer must consult legal counsel as to the effectiveness of such installments, made in separate calendar years, in achieving “qualified” treatment of such obligations in this manner.

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City of New Bedford
Department of Facilities & Fleet Management
294 Liberty Street
New Bedford, MA 02740

FY21 Vehicle Lease Package

Dept.	Qty.	Description	Estimate	Total
DPI	1	Freightliner Mini Packer - Garbage Truck	\$188,183.00	\$188,183.00
DPI	1	Telescopic Aerial Device - Bucket Truck	\$137,760.00	\$137,760.00
DPI	2	Freightliner 6 Wheel Dump w/ Snow Setup	\$166,729.00	\$333,458.00
DPI	2	Ford F-450	\$59,054.25	\$118,108.50
DPI	2	Ford F-450 (extended cab w/sander)	\$70,744.25	\$141,488.50
Fire	2	Ford F-250	\$48,807.00	\$97,614.00
DFFM	2	Ford Interceptor Utility SUV	\$35,218.80	\$70,437.60
General Fund Total				\$1,087,049.60
WW	1	Vactor	\$480,070.00	\$480,070.00
WW	1	Vacuum Street Sweeper	\$285,956.00	\$285,956.00
Enterprise Fund Total				\$766,026.00
Total Both				<u>\$1,853,075.60</u>