

# Tax Exempt Municipal Lease Financing

## For Schools and Municipalities

Equipment Financed: Vehicles-Computers-Energy Management Systems-Furniture and Fixtures  
Communications Systems-Audio Visual Equipment-Portable Buildings-Any Equipment for Essential Use



**Smart Finance Options, Inc.**

*Commercial Financing and Equipment Leasing*

# What is a Municipal Lease?

- Similar to a loan...Lessee keeps the asset  
a/k/a: Lease/Purchase, Conditional Sale, Installment Sale, "Dollar Out" Lease
- Financing for "Essential Use" Equipment
- Tax Exempt Rates
- Lender does not pay federal income tax on the earned interest = lower interest rate to borrower

# What is a Municipal Lease?

- Lease Term: Typical is 2 years to 7 years (up to 10 years in some cases)
- Typical Size: Up to \$5K to \$5MM
- Payments structured to meet budgetary needs of school or municipality
- Lower Cost of Issuance than traditional Bond financing.
- Less Complex than a Bond = Faster turnaround time.

# What is a Municipal Lease?

- Subject to annual appropriation - Non-Appropriation risk offset by the fact that leased assets are “essential use”
- Lease payment is considered a current expense
- Not considered debt for purposes of calculating constitutional debt limit

# What can be leased?

- Virtually any type of “Essential Use” Equipment

*Here are just a few examples.....*

# What can be leased?

- School Buses
- Modular Classroom Buildings
- Furniture



# What can be leased?

## All Office Equipment (examples)

- Scanners
- Copiers
- Faxes
- Folders
- Inserters
- Mailing Machines
- Labeling
- LCD Projectors
- Cameras and Other Audio Visual Equipment



- Lawn Maintenance



# What can be leased?

## Computers & Related Equipment

- Computers, Servers
- Networking
- Software
- Printers
- Accounting Software
- Scanners
- Tape Drives
- Back-Up Drives
- Routers
- UPS
- Scanners

## Communications

Telecom Systems

Two-Way Radio

Wireless Data Products

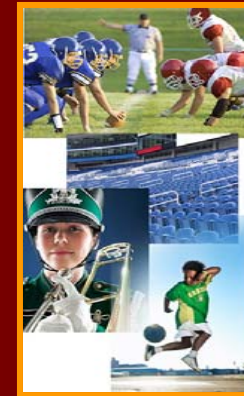


# What can be leased?

## Sports & Activities

For the health and well-being of all your students, it's important to offer sports and activities. With the help of leasing, you can continue to periodically upgrade and expand your equipment and facilities:

- Sports equipment and athletic facilities
- Band uniforms and instruments
- Gym flooring and courts
- Turf, synthetic fields, and tracks
- Bleachers and stadium seating
- Lighting and scoreboards



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Leasing historically has been for traditional  
"equipment" as collateral. But...

Leasing is becoming more common  
for financing soft costs, intangibles,  
installation, entire projects

*"100% Financing"*

# When Does Leasing Make Sense?

- For expenses that are too large for a single fiscal year's budget
- To match the cost of an asset with the useful life of an asset
- Any energy performance or efficiency improvement contract
- When a Bond offering is not the right option – timing is an issue, size does not warrant fees, simpler documentation
- To fix interest costs in times of rising rates

# When Does Leasing Make Sense?

- Emergency, non-budgeted equipment needs
- Energy Performance Projects: match lease payments with energy savings
- Finance Management – manage cash flow / conserve working capital
- Refinance older, higher rate leases
- Cost overruns on bonded projects

# Pitfalls to Avoid

- Focusing solely on Rate: Fees, timing and closing costs can inflate the effective rate of a bond, loan or lease. Make sure you factor all of these in.
- Opinion of Counsel: make sure your Counsel knows that you will need a tax opinion. If possible, provide them with a sample version to reduce costs and time.
- Many small schedules: When possible, bundle several items together into one lease. This allows for fewer invoices. You can fund into an Escrow account to lock your rate on many items to be acquired throughout the year.

School Districts face unprecedented demand for services at a time when revenue shortfalls and budget cutbacks are the norm rather than the exception. How can you stretch your budget to meet the requirements of your mission?

*Smart Finance Options* can help you structure and complete a lease that will maximize the use of your funds, and provide you with the equipment you need ***now***....

## QUESTIONS?

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