
2020-2 (1ST READING): AN ORDINANCE AUTHORIZING THE CITY OF MYRTLE BEACH, SOUTH CAROLINA, TO EXECUTE AND DELIVER A LEASE PURCHASE AGREEMENT IN AN AMOUNT NOT EXCEEDING \$1,080,000 BETWEEN THE CITY AND THE LESSOR THEREOF TO DEFRAY THE COST OF ACQUIRING CERTAIN ITEMS OF HEAVY EQUIPMENT FOR SOLID WASTE MANAGEMENT; AND OTHER MATTERS RELATING THERETO.

Applicant/Purpose: Staff/to finance acquisition of heavy equipment for solid waste collection.

Brief:

- Proposed ordinance approves City's entering into a 5-year Lease-Purchase Agreement at an interest rate to be determined by competitive bids.
- The amortization schedule will be supplied upon acceptance of proposals.
- The total equipment package totals \$1,080,000 including:
 - 4 knuckleboom trucks (\$600,000).
 - 2 rear Loaders (\$480,000).

Issues:

- Resolution R2019-041 (adopted August 27, 2019) established the City's intention to finance the equipment purchase.
- This declaration of intent protects the tax-exempt status of the lease agreement in the event that expenditures are incurred prior to closing on the agreement.

Public Notification: Normal meeting notification.

Alternatives:

- Do not adopt ordinance. Look for other financing options.
- Do not acquire this equipment.

Financial Impact:

- The expenditure was anticipated in the current budget & capital improvement plans.
- The proposal ensures that this agreement can be priced to reflect the lower tax-exempt interest rates.

Manager's Recommendation: I recommend 1st reading.

Attachment(s): Lessee's Proposal, to include amortization schedule at 2nd reading.

CITY OF MYRTLE BEACH
COUNTY OF HORRY
STATE OF SOUTH CAROLINA

AUTHORIZING THE CITY OF MYRTLE BEACH, SOUTH CAROLINA, TO EXECUTE AND DELIVER AN ADDENDUM TO A MASTER LEASE AGREEMENT IN AN AMOUNT NOT EXCEEDING \$1,080,000 BETWEEN THE CITY AND THE LESSOR THEREOF TO DEFRAY THE COST OF ACQUIRING CERTAIN ITEMS OF HEAVY EQUIPMENT FOR SOLID WASTE MANAGEMENT; AND OTHER MATTERS RELATING THERETO.

BE IT ORDAINED by the City Council of the City of Myrtle Beach, in Council duly assembled (the "Council") and by the authority of the same, that:

SECTION 1. The Council hereby finds and determines:

(a) The City of Myrtle Beach, South Carolina (the "City"), is an incorporated municipality located in Horry County, South Carolina (the "County"), and as such has all powers granted to municipalities by the Constitution and general laws of this State.

(b) Section 5-7-40 of the Code of Laws of South Carolina 1976, as amended, 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 _____ (the "Lessor"), for the purposes of financing the purchase of certain equipment, to wit: and four (4) knuckleboom trucks and (2) rear loaders for Solid Waste Management operations (collectively, the "Equipment").

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

(e) Pursuant to a Request for Proposals for the above named equipment distributed to various vendors, the City received responsive proposals regarding the request and capital leasing of the Equipment authorized by this Ordinance. The winning proponent's financing offer was put forward by _____.

(f) It is in the best interest of the City to acquire the Equipment by entering into the Lease Agreement with the Lessor. The Lease Agreement will enable the City to purchase the Equipment for use by a department of City government, which is necessary to the proper functioning of the City.

SECTION 2. Acceptance of Proposal. The proposal of the Lessor, dated _____, 2019, a copy of which is attached hereto as Exhibit B, providing for, among other things, the terms of the lease/purchase transaction authorized by this Ordinance, is hereby approved and accepted. The Lease Agreement shall be in an amount not exceeding \$2,605,000. The City Manager is hereby authorized to execute such lease agreement on behalf of the City.

SECTION 3. Approval of Transaction. The Council does hereby approve leasing the

1 Equipment by the City from the Lessor pursuant to the Lease Agreement.

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3 SECTION 4. Approval of Lease Agreement. The form, terms and provisions of the Lease
4 Agreement be and hereby are approved and all of the terms, provisions and conditions thereof are
5 hereby incorporated herein by reference as if the Lease Agreement were set out in this Ordinance
6 in its entirety. A copy of the Lease Agreement shall be filed with the minutes of the meeting of City
7 Council at which this Ordinance was enacted. The City Manager is hereby authorized, empowered
8 and directed to execute, acknowledge and deliver, and the City Clerk is hereby authorized,
9 empowered and directed to attest the Lease Agreement in the name and on behalf of the City. The
10 Lease Agreement is to be in substantially the form now before this meeting and hereby approved, or
11 with such changes therein as shall be approved by the execution thereof by the City Manager and
12 the City Clerk, to constitute conclusive evidence of approval of any and all changes or revisions
13 therein from the form of Lease Agreement now before this meeting.

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15 SECTION 5. Authorization. The Mayor, the City Manager, the Chief Financial Officer and
16 the City Clerk, for and on behalf of the City, are fully empowered and authorized to take such further
17 action and to execute and deliver such additional documents as may be necessary to effect the
18 execution and delivery of the Lease Agreement in accordance with the terms and conditions therein
19 set forth, and the transactions contemplated hereby and thereby, and the action of such officers in
20 executing and delivering any of such documents, in such form as the City Manager shall approve, is
21 hereby fully authorized.

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23 SECTION 6. Federal Tax Covenant. The City, as lessee, agrees and covenants that it will
24 not take any action which will, or fail to take any action which failure will, cause the interest portion
25 of the Base Payments (as defined in the Lease Agreement) under the Lease Agreement to become
26 includable in the gross income of the Lessor for federal income tax purposes pursuant to the
27 provisions of the Code and regulations promulgated thereunder in effect on the date of original
28 issuance of the Lease Agreement and that it will comply with all applicable provisions of Section 103
29 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and
30 any regulations promulgated thereunder, to maintain the exclusion from gross income for federal
31 income tax purposes of the interest portion of the Base Payments and to that end the City shall:

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

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39 SECTION 7. Bank Deduction Eligible. The City anticipates that it will issue in excess of
40 \$10 million in tax-exempt debt during calendar year 2020, therefore this lease/purchase agreement
41 will not be qualified for the bank deduction.

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43 SECTION 8. Filings with Central Repository. In compliance with Section 11-1-85 of the
44 South Carolina Code, the City covenants that it will file or cause to be filed with a central repository
45 for further availability in the secondary bond market when requested: (a) a copy of the annual audit
46 of the City within thirty (30) days of the City's receipt thereof; and (b) within thirty (30) days of the
47 occurrence thereof, relevant information of an event which, in the opinion of the City, adversely
48 affects more than five (5%) of the City's revenue or its tax base.

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50 SECTION 9. Effective Date. The provisions of this Ordinance shall be effective upon its
51 adoption.

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(SEAL)

BRENDA BETHUNE, MAYOR

JENNIFER STANFORD, CLERK

1st Reading: 1-14-2020
2nd Reading:

EXHIBIT A

The Schedule E Equipment

Schedule of Equipment to be leased/purchased under the Agreement

<u>Item</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Total</u>
Knuckleboom Trucks	4	150,000	600,000
Rear Loaders	2	240,000	480,000
Grand Total			\$1,080,000

Exhibit B

PROPOSAL OF THE LESSOR,
INCLUDING FINANCING TERMS AND AMORTIZATION SCHEDULE

(To be provided at second reading)