

To: Board of Education

From: Kyle Hayden, superintendent, ext. 4309
Tony Barron, executive director, facilities & operations, ext. 1643
Kathy Johnson, director, finance, ext. 2376

Re: Resolution to Finance Lease Purchase Agreement – New Facilities & Operations

Date: June 22, 2017

Background:

On May 8, 2017, the Board of Education approved a resolution authorizing the district to enter into a Lease Purchase Agreement for the purpose of financing the acquisition, construction, installation, extension, remodeling, improvement and equipping of a new facility up to the amount of \$5,979,600 and authorize officials and officers of the district, Gilmore & Bell, P.C., George K. Baum & Co., and other consultants to proceed with the planning and document preparation of the improvements, lease and other necessary legal documents.

Rationale:

A Request for Proposals (RFP) was submitted on May 17, 2017, asking for proposals to be returned by noon on May 31, 2017.

The top three bidders were the following:

Bidder	Rate	True Interest	Costs to Finance	Annual Payment
Clayton Holdings (Commerce Bank)	2.660%	2.692%	60,750	556,186
Pinnacle Public Finance	2.610%	2.705%	76,000	556,549
Capital One Public Funding, LLC	2.700%	2.700%	43,000	554,720

Based on the summary, bids were extremely close. The recommendation is to use Capital One for the financing of this lease purchase agreement.

Recommendation:

Administration recommends board approval to use Capital One to finance the new facilities and operations capital improvement project at 711 East 23rd Street. After adjusting for total expected construction and financing costs, the total lease payments will be \$5,547,199.16, of which \$4,837,710.70 represents the estimated principal portion of the lease payments and \$709,488.46 represents the estimated interest portion of the lease payments.

Motion:

"I move the Board of Education authorize the district to enter into a base lease, as lessor, with Capital One Public Funding, LLC, as lessee, with respect to the acquisition, construction and installation of improvements to serve the district's Facilities and Operations Division and an escrow agreement by and among Capital One Public Funding, LLC, the district and BOKF, N.A. as escrow agent. The lease is for 10 years, with annual lease payments of \$554,720, which are expected to be paid from Capital Outlay funds."

RESOLUTION 2017-06-26A

A RESOLUTION AUTHORIZING UNIFIED SCHOOL DISTRICT NO. 497, DOUGLAS COUNTY, KANSAS (LAWRENCE), TO ENTER INTO A BASE LEASE, AS LESSOR, WITH CAPITAL ONE PUBLIC FUNDING, LLC, AS LESSEE; A LEASE PURCHASE AGREEMENT, AS LESSEE, WITH CAPITAL ONE PUBLIC FUNDING, LLC, AS LESSOR, WITH RESPECT TO THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF IMPROVEMENTS TO SERVE THE DISTRICT'S FACILITIES AND OPERATIONS DIVISION; AND AN ESCROW AGREEMENT BY AND AMONG CAPITAL ONE PUBLIC FUNDING, LLC, THE DISTRICT AND BOKF, N.A., AS ESCROW AGENT.

WHEREAS, Unified School District No. 497, Douglas County, Kansas (Lawrence) (the "District"), desires to obtain moneys to pay for the acquisition, construction and installation of improvements including, but not limited to, engineering, design, construction and renovation of facilities for the District's Facilities and Operations Division, together with related improvements, all of which will be located on approximately 7.4 acres of real estate owned by the District and located at 711 East 23rd Street, Lawrence, Kansas (the "Improvements"); and

WHEREAS, in order to facilitate the acquisition, construction and installation of the Improvements and to pay the cost thereof, it is necessary and desirable for the District to take the following actions:

1. Enter into a Base Lease, dated as of June 15, 2017 (the "Base Lease"), with Capital One Public Funding, LLC (the "Bank"), pursuant to which the District will lease certain real property to the Bank;
2. Enter into an annually renewable Lease Purchase Agreement, dated as of June 15, 2017 (the "Lease"), with the Bank, pursuant to which the District will lease the Project on a year-to-year basis from the Bank with an option to purchase; and
3. Enter into an Escrow Agreement, dated as of June 15, 2017 (the "Escrow Agreement"), with the Bank and BOKF, N.A., as escrow agent; and
4. Execute a Federal Tax Certificate, dated as of the closing date (the "Tax Certificate"), pursuant to which the District undertakes certain obligations related to the tax-exempt status of the Interest Portion of Rental Payments under the Lease.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE UNIFIED SCHOOL DISTRICT NO. 497, DOUGLAS COUNTY, KANSAS (LAWRENCE), AS FOLLOWS:

Section 1. Approval of Base Lease, the Lease, the Escrow Agreement and the Tax Certificate. The Base Lease, the Lease, the Escrow Agreement and the Tax Certificate are hereby approved in substantially the forms submitted to and reviewed by the governing body of the District on the date hereof, with such changes therein as shall be approved by the President of the Board of Education, the President's execution thereof to be conclusive evidence of the approval thereof.

The obligation of the District to pay Rental Payments (as defined in the Lease) under the Lease is subject to annual appropriation, shall constitute a current expense of the District and shall not in any way be construed to be an indebtedness or liability of the District in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness or liability by the District, nor shall anything contained in the Lease constitute a pledge of the general tax revenues, funds or moneys of the District, and all provisions of the Lease shall be construed so as to give effect to such intent.

The President is hereby authorized and directed to execute and deliver the Base Lease, the Lease, the Escrow Agreement and the Tax Certificate on behalf of and as the act and deed of the District. The Clerk is hereby authorized to affix the District's seal thereto and attest said seal.

Section 2. Further Authority. The District shall, and the officials and agents of the District are hereby authorized and directed to, take such action, expend such funds and execute such other documents, certificates and instruments as may be necessary or desirable to carry out and comply with the intent of this Resolution and to carry out, comply with and perform the duties of the District with respect to the Base Lease, the Lease, the Escrow Agreement, the Tax Certificate and the Project.

Section 3. Effective Date. This Resolution shall take effect and be in full force from and after its adoption by the governing body of the District.

PASSED by the Board of Education of Unified School District No. 497, Douglas County, Kansas (Lawrence) this June 26, 2017.

President

[SEAL]

ATTEST:

Clerk