

To: Board of Education
 From: Kathy Johnson, executive director finance
 Re: High School Outdoor Athletic Lease Financing

Background:

As a part of the 2018 Capital Improvement plan, and the February 12, 2018 board meeting, the board approved moving ahead with a contract with Hellas Construction for high school athletic complex improvements in the amount \$4,571,150 (\$4,353,476 plus 5% contingency) contingent upon the district securing lease financing for the project.

Because the new athletic complex improvements involve replacing some equipment previously financed with an existing lease purchase agreement, the District will need to prepay the existing lease purchase agreement at the same time it enters into the new equipment lease financing for this project.

On April 9, 2018, the board approved resolution 2018-04-09, authorizing administration to submit a Request for Proposal for equipment lease financing for the new project and refinancing of the existing lease purchase agreement.

Rationale:

Request for proposal for equipment lease financing were sent out and due back April 24, 2018. There were four (4) bids for 10 year borrowing:

Bidder	Rate	Total Interest Cost	Estimated Annual Payment	Early Prepayment Feature	Other Conditions
Clayton Holdings (Commerce Bank)	3.350 %	\$979,017	\$621,436	-Beginning 5/1/23 @101% -No Premium if repaid with internal funds	-Rate adjustment if declared taxable -\$250 escrow fee
US Bank	3.590%	\$1,051,885	\$628,096	-Rate quoted is non-callable -Rate is 3.99% with anytime prepayment	-Rate adjustment if corporate tax rate is changed
KS State Bank	4.010%	\$1,180,271	\$639,847	-Anytime without penalty	-Base Lease Required -Phase 1 Environmental
CapitalOne	3.430%	\$1,003,266	\$623,652	-Beginning 5/1/23 without penalty	-No other material conditions mentioned

Recommendation:

Administration recommends the board approve securing lease financing for the high school athletic complex improvements with Clayton Holdings (Commerce Bank) at the rate of 3.35%.

Motion:

"I move the board of education adopt the resolution 2018-05-14A approving a lease purchase agreement between Clayton Holdings, LLC, as Lessor and the District, as Lessee, and an escrow agreement between The Commerce Trust Company and the District, and authorizing further actions related to such financing."

RESOLUTION -- 2018-05-14A

A RESOLUTION APPROVING A LEASE PURCHASE AGREEMENT BETWEEN CLAYTON HOLDINGS, LLC, AS LESSOR, AND UNIFIED SCHOOL DISTRICT NO. 497, DOUGLAS COUNTY, KANSAS (LAWRENCE), AS LESSEE, AND AN ESCROW AGREEMENT BETWEEN THE COMMERCE TRUST COMPANY AND THE DISTRICT; AND AUTHORIZING FURTHER ACTION RELATED THERETO.

WHEREAS, pursuant to K.S.A. 72-1149, and by proceedings duly had, the governing body of Unified School District No. 497, Douglas County, Kansas (Lawrence) (the "District") has authorized financing the acquisition, construction, installation, and improvement of certain athletic facilities (the "2018 Equipment"); and

WHEREAS, the District is a party to an Equipment Lease Purchase Agreement dated as of July 15, 2014, (the "Prior Agreement") originally between the District and Capital One Public Funding, LLC, as lessor, pursuant to which the District leased certain equipment with an option to purchase (the "2014 Equipment"); and

WHEREAS, the District finds and determines it is necessary and desirable to enter into that certain Municipal Lease/Purchase Agreement dated May 22, 2018, (the "Lease"), between the District and Clayton Holdings, LLC (the "Lessor") to finance the 2018 Equipment and refinance the 2014 Equipment (collectively, the "Equipment"); and

WHEREAS, in order to facilitate such financing, the governing body hereby finds that it is necessary and desirable for the District to take the following actions:

1. Exercise its option to purchase the 2014 Equipment pursuant to Article X of the Prior Agreement;
2. Enter into the Lease with the Lessor, pursuant to which the District, as lessee, will lease the Equipment from the Lessor with an option to purchase Lessor's interest in the Equipment; and
3. Enter into an Escrow Agreement dated May 22, 2018, (the "Escrow Agreement"), between the District and The Commerce Trust Company, as escrow agent.

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

Section 1. Approval of the Lease. The Lease and the Escrow Agreement are hereby approved in substantially the form 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 governing body of the District, with the President's execution thereof to be

conclusive evidence of such approval. The President is hereby authorized and directed to execute and deliver the Lease and the Escrow Agreement on behalf of and as the act and deed of the District.

Section 2. Exercise of Option to Purchase. The Clerk is hereby directed to provide notice to Capital One Public Funding, LLC, of the District's intent to exercise of its option to purchase the 2014 Equipment on or about May 22, 2018 pursuant to Section 10.01(a) of the Prior Agreement.

Section 3. Further Authority. The District will, and the officials and agents of the District, including the Superintendent and the Treasurer, are hereby authorized and directed to take such actions, 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 Lease, the Escrow Agreement the purchase option provided in the Prior Agreement, the other documents authorized or approved hereby and the Equipment.

Section 4. Effective Date. This Resolution shall take effect and be in full force from and after its adoption by the governing body of the District.

[BALANCE OF THIS PAGE INTENTIONALLY LEFT BLANK]