



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of May 14, 2011**

DATE: April 19, 2011

SUBJECT: Approve an Amendment to the Master Lease Agreement to extend the Acquisition Period of the Master Lease Agreement an additional twelve (12) months.

C. M. RECOMMENDATION:

1. Approve the Resolution (Attachment 1) authorizing the amendment of the Master Lease Agreement.
2. Authorize the County Manager to negotiate the amendment (Attachment 2) to extend the Master Lease Agreement an additional twelve months.

ISSUE: Should the County finance various essential equipment and technology systems through an existing cost-effective lease financing agreement?

SUMMARY: Staff has evaluated the option to extend the current agreement with the existing vendor, TD Equipment, compared with the option to rebid the master lease agreement. The interest rates based on the County's existing master lease agreement is comparable or lower than that of the interest rates from recent lease agreements of other jurisdictions. Extending the current agreement will also incur the least costs in administrative and legal fees. The amendment to extend the master lease agreement for an additional twelve months does not affect the total authorized amount which remains at \$37.5 million. To date, the County has drawn \$15.3 million and the balance available is \$22.2 million.

BACKGROUND: The County executed and delivered a Master Lease Agreement dated as of October 1, 2009 (the "Master Lease Agreement") between the County and TD Equipment Finance, Inc. (the "Lessor"), pursuant to which the County has previously issued and continues to issue tax-exempt lease financings to finance the acquisition and installation of equipment, primarily for technology and public safety. The original period in which the County may request financings under the Master Lease Agreement (the "Acquisition Period") is scheduled to expire

County Manager:

BMD/mjs

County Attorney:

[Signature] *[Signature]*

Staff: Loan Hoang, DMF

33.

on October 27, 2011. This amendment will extend the Acquisition Period of the Master Lease Agreement for an additional twelve (12) months.

DISCUSSION: Each time the County wants to draw funds under the Master Lease, the Purchasing Agent will execute an appendix to the Lease for specific equipment. Each appendix represents a new lease and will have an associated interest rate and repayment schedule, subject to the terms of the Master Lease. The County Board will be asked to appropriate proceeds of such draw under the Master Lease.

The County will make lease payments based on the higher of 1) the interest floor as established in the existing master lease agreement or 2) a fixed interest rate using a percentage of the current rate for three, five, seven or ten-year U.S. Dollar Current Interest Rate Swap Index as reported by the Federal Reserve Board: H.15 at the time an appendix is executed. Based on index rates as of April 19, 2011, the lease rate would be 2.35 percent for equipment financed over a three-year term, 2.75 percent for a five-year term, 3.25 percent for a seven-year term and 3.79 percent for a ten-year term.

The obligation to make payments under the Master Lease will be subject to annual appropriation by the County Board and will be enforced only so long as an annual appropriation is made by the County Board covering the amounts of the obligations described in the appendices to the Master Lease. No financing will occur under this Master Lease unless the debt service to be paid has been approved in the County or the Schools' adopted budgets. Since neither the County's full faith and credit or its taxing power is pledged, this obligation will not constitute a general obligation debt of the County. If funds were not appropriated by the County Board under the Master Lease, the lessor would have the right to take possession of the equipment financed under the Master Lease.

FISCAL IMPACT: The adoption of the Resolution (Attachment 1) and the Second Amendment (Attachment 2) allows the County the flexibility to continue to lease purchase various equipment on a tax-exempt basis. The equipment may be financed for 3, 5, 7 or 10 years. The debt service to support the County's projects is included in the base budget of the general fund or auto fund.

**CERTIFICATE OF THE CLERK
OF THE COUNTY BOARD OF
ARLINGTON COUNTY, VIRGINIA**

At a regular meeting of the County Board of Arlington County, Virginia, held on the ____ day of _____, 2011, the following County Board members were recorded as present:

PRESENT:

On motion by _____, seconded by _____, the attached Resolution was adopted by a majority of the members of the County Board and recorded as follows:

MEMBER

VOTE

Dated: _____, 2011

CLERK, ARLINGTON COUNTY BOARD

**A RESOLUTION OF THE
COUNTY BOARD OF ARLINGTON, VIRGINIA
AUTHORIZING THE AMENDMENT OF THE MASTER LEASE AGREEMENT WITH
TD EQUIPMENT FINANCE, INC.**

A. On September 26, 2009, the County Board (the "Board") of Arlington County, Virginia (the "County") adopted a resolution (the "Original Resolution") authorizing the lease financing of certain equipment for the County, including without limitation certain computer software and equipment, network and telephone installation, mobile data computers and infrastructure and fire pumps (collectively, the "Equipment"), in an amount not to exceed \$37,500,000.

B. Pursuant to the Original Resolution, the County executed and delivered a Master Lease Agreement dated as of October 1, 2009 (the "Master Lease Agreement") between the County and TD Equipment Finance, Inc. (the "Lessor"), pursuant to which the County has previously issued and continues to issue tax-exempt lease financings to finance the acquisition and installation of Equipment.

C. The original period in which the County may request financings under the Master Lease Agreement (the "Acquisition Period") is scheduled to expire on October 27, 2011.

D. The Board finds that it is desirable to extend the Acquisition Period of the Master Lease Agreement for an additional twelve (12) months.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNTY BOARD OF ARLINGTON, VIRGINIA:

1. Amendment of Master Lease Agreement. The Board authorizes the amendment to the Master Lease Agreement (the "Amendment to Master Lease Agreement," together with the Master Lease Agreement, the "Master Agreement") to extend the Acquisition Period of the Master Lease Agreement an additional twelve (12) months.

2. Authorization and Execution of Documents. The County Manager and the Director of the Department of Management and Finance, or either of them, or such officers as either of them may designate are authorized to execute and deliver on behalf of the County the Amendment to Master Lease Agreement and to execute and deliver such instruments, agreements, documents or certificates, and to do and perform such things and acts, as they shall deem necessary or appropriate to carry out the transactions authorized by this Resolution; and all of the foregoing, previously done or performed by such officers or agents of the County, are in all respects approved, ratified and confirmed.

3. Effective Date. This Resolution shall take effect immediately upon adoption.

COUNTY OF ARLINGTON, VIRGINIA

SECOND AMENDMENT TO MASTER LEASE AGREEMENT

THIS SECOND AMENDMENT TO MASTER LEASE AGREEMENT (this "Second Amendment") is made, as of _____, 2011, between TD EQUIPMENT FINANCE, INC. ("Lessor") and ARLINGTON COUNTY, VIRGINIA ("County" or "Lessee").

WITNESSETH:

WHEREAS, the County and the Lessor have entered into a Master Lease Agreement (the "Master Lease") dated as of October 1, 2009 (as previously amended, the "Master Lease Agreement," and together with this Second Amendment, the "Master Lease"), pursuant to which the County and the Lessor entered into arrangements for the financing from time to time of certain equipment to be leased to the County by the Lessor;

WHEREAS, the original Acquisition Period (as defined in the Master Lease Agreement) is scheduled to expire on October 27, 2011;

WHEREAS, the County Board has adopted a resolution dated _____, 2011, authorizing the extension of the Acquisition Period for an additional twelve (12) months;

WHEREAS, pursuant to Sections 1.1, 4.1 and 11.5 of the Master Lease Agreement, the County and the Lessor desire to amend the Master Lease Agreement to extend the initial Acquisition Period for an additional twelve (12) months; and

WHEREAS, the County and the Lessor have agreed to so amend the Master Lease Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants herein contained, the County and the Lessor do hereby agree as follows:

Section 1. Definitions. Unless otherwise defined herein, all capitalized terms used but not defined herein shall have the meanings as described thereto in the Master Lease Agreement.

Section 2. Amendments. The first sentence of Section 1.1 of the Master Lease Agreement shall be amended and restated to read as follows:

1.1 Acquisition Period. means the period commencing upon execution of this Agreement and ending October 27, 2012 or until the date when the aggregate amount of equipment leased equals thirty-seven million five hundred thousand dollars (\$37,500,000), whichever is earlier, unless the Acquisition Period is extended as provided in Section 4.1.

Section 3. Ratification of Master Lease Agreement. This Second Amendment is authorized and entered into pursuant to and in accordance with Sections 1.1, 4.1 and 11.5 of the Master Lease Agreement. As amended hereby, the Master Lease Agreement is in all respects ratified and confirmed and the Master Lease Agreement as amended by this Second Amendment shall be construed as one instrument.

Section 4. Counterparts. This Second Amendment may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 5. Governing Law. This Second Amendment shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

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Dated: _____, 2011

WITNESS these signatures:

COUNTY OF ARLINGTON, VIRGINIA, as Lessee

By: _____
Its: Michelle Cowan
Title: Director of the Department of Management
and Finance, Arlington County, Virginia

TD EQUIPMENT FINANCE, INC., as Lessor

By: _____
Its: _____
Title: _____

[Signature Page to Second Amendment to Master Lease Agreement]