



# GUIDANCE LINE OF CREDIT AND MASTER LEASE PURCHASE AGREEMENT FOR MUNICIPALITIES

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A Guidance Line of Credit and a Master Installment Purchase Agreement can simplify and expedite the acquisition of capital assets for your municipality.

## GUIDANCE LINE OF CREDIT

A Guidance Line of Credit is a pre-approved credit approval from a lender, for a municipality’s capital projects for a period of time, which is typically twelve months. First, each department head submits its funding request to the chief administrator for approval. Next, the lessor (lender) and the administrator review the expected borrowing needs to determine the size of the guidance line. Finally, a contingency is added to cover unexpected capital expenditures that may arise throughout the year.

### PROJECT LIST

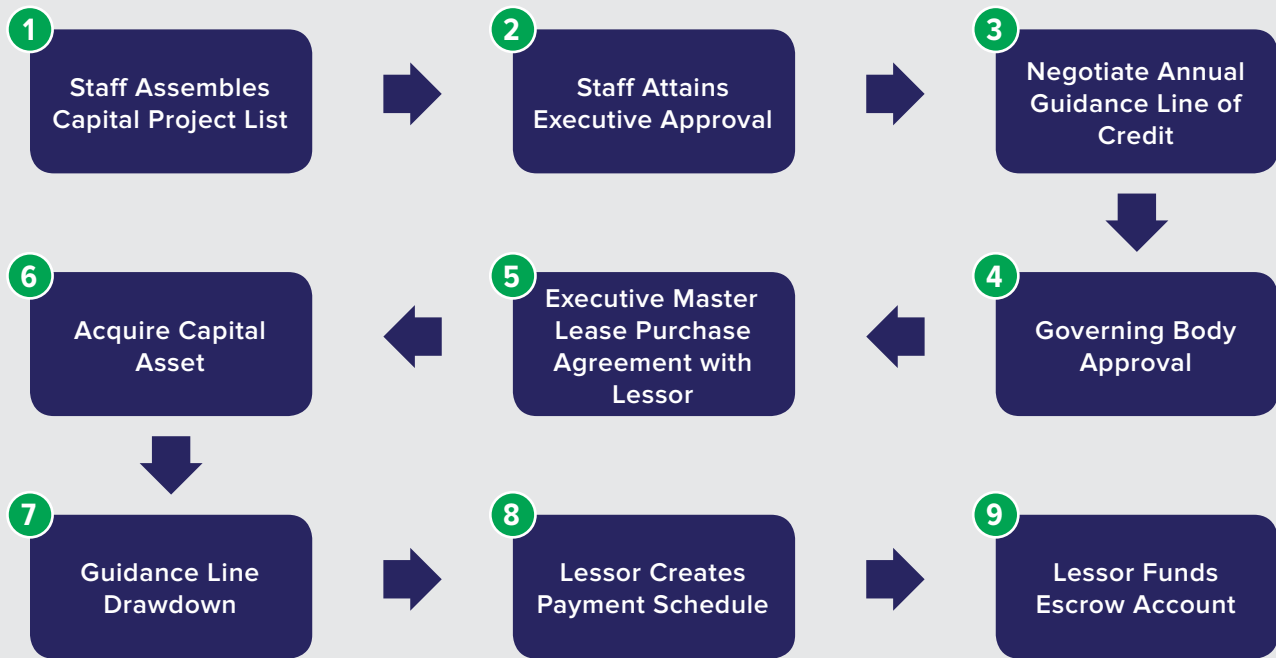
| Asset Description           | Asset Class    | Financing Term | Cost         |
|-----------------------------|----------------|----------------|--------------|
| Computers                   | Technology     | 3 Years        | \$4,000,000  |
| Fire Trucks                 | Vehicles       | 15 Years       | \$5,000,000  |
| Energy Conservation Project | Infrastructure | 20 Years       | \$7,000,000  |
| Contingency                 |                |                | \$4,000,000  |
| Total                       |                |                | \$20,000,000 |

The municipality and lender will enter into separate a Master Lease Purchase Agreement for transactions that are repaid from the General Fund and a Master Installment Purchase Agreement for projects repaid from the Enterprise Fund. For the purposes of this article, we will refer to both as the Master Lease Purchase Agreement.

# MASTER LEASE PURCHASE AGREEMENT

The Master Lease Purchase Agreement (MLPA) outlines the terms and conditions between the municipality and the lessor, which includes insurance, security interest, asset maintenance, purchase option, etc. Next the MLPA is submitted to the governing body for approval. Once approved, the municipality can commence drawdown request throughout the year to acquire a wide variety of assets. Since the MLPA was pre-approved by legal, the municipality can respond more quickly and efficiently to department funding request, which saves money.

## GUIDANCE LINE OF CREDIT AND MASTER LEASE PURCHASE AGREEMENT PROCESS FLOW

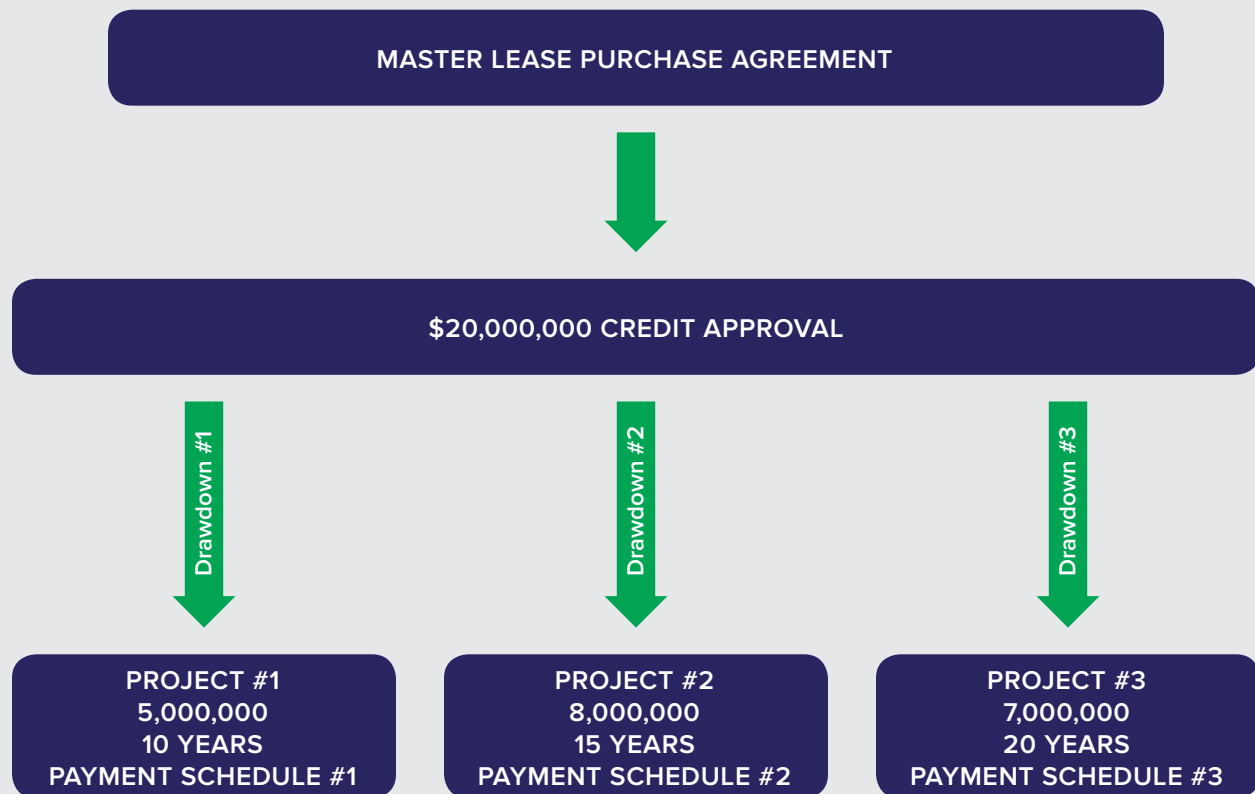


## DELEGATING AUTHORITY

Frequently, the governing body grants authority to its top administrator and/or a delegate to execute future drawdown request. Although the Guidance Line of Credit is established, no interest will be accrued by the municipality until a line drawdown occurs and a payment schedule is signed by both the lessor and the municipality.

## GUIDANCE LINE DRAWDOWN

Each drawdown is treated as a separate transaction under the MLPA, with a distinct payment schedule, interest rate, and funding date. The interest rate will be established at the time of funding. Upon receiving and approving the municipality's drawdown request, the lender funds the project escrow account, which is also managed by the lessor. Once the asset is delivered to and accepted by the municipality, the vendor submits an invoice to the municipality for approval, which are then forwarded onto the escrow agent/lender for payment from the project fund. The entire process takes a few days instead of months.



## BENEFITS

- ▼ Pre-Credit Approval
- ▼ Shorten Asset Acquisition Timeline
- ▼ Fund Small and Large Transactions
- ▼ Flexible Payment Schedules
- ▼ One-time Execution of Master Lease Purchase Agreement
- ▼ Reduce Ongoing Legal Expenses
- ▼ Separate Billing for Each Payment Schedule
- ▼ Competitive Rates
- ▼ Escrow Funding

In conclusion, a Guidance Line of Credit and a Master Lease Purchase Agreement are valuable tools to conveniently and effectively acquire your vehicles, energy conservation projects, and technology needs. It allows you to organize your project financings under a single program to reduce paperwork, improve productivity, and lower cost.



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