



## Municipal Financing FAQ's

### Is it legal for cities, counties and other local government agencies to finance their purchases?

Yes. Every state except Idaho has provisions for political subdivisions to use financing in the form of municipal leasing or similar instruments to finance personal property acquisitions. This is due to the fact that it would be prohibitive to require local government entities to issue bonds each and every time the agency acquired essential equipment and related projects, as bond issuance many times requires voter approval. Thus, municipal leasing is frequently utilized to acquire public safety vehicles, utility metering technology, energy management projects, and facilities renovations. This allows agencies to move forward with projects today and spread the impact of the purchase over several budgets.

### Can municipalities obligate themselves beyond one year without voter approval?

Yes. In many states there are multiple forms of contracting for financing available under the borrowing authority which allows for financing without requiring voter approval. In every state except Idaho, a municipal lease-purchase that is properly structured with annual appropriation provisions does not create statutory debt and is a common and acceptable form of financing.

### What is the cost?

The interest paid under a municipal lease is tax-exempt just like municipal bonds so the rate structures are similarly attractive when compared to commercial lease rates. The rates for a municipal lease would vary based upon the term of the financing, the amount financed, and the underlying credit rating of the obligor. Bonds offer lower rates because they are backed by the full faith and credit of the issuer, but they carry much higher issuance fees. The fees associated with a bond issue are typically 3-5% compared with 0-1% with a municipal lease.

### How long would it take to fund a project if an agency decided to finance a project?

Typically 30 days from board approval.

### Does financing require a separate procurement process?

No. Financing is considered a professional service and as such there are no statutory requirements requiring a separate procurement track which could delay and complicate your purchase.

### How do I obtain a proposal or initiate the financing process?

Go to the Zenner Request a Proposal [link](#) or contact your Zenner representative. Proposals are typically provided within 2 business days of the request. The Zenner municipal leasing application to initiate the financing approval is available online [here](#).

### What is the process to complete a financing?

1. Once a decision has been made to recommend the financing of a project to the board or council, Zenner will provide a resolution for consideration and possible action by the board and prepare lease documents for review by the agency's legal counsel.

2. Once board approval is achieved and fully executed documents are received, we can schedule closing and fund into escrow from which proceeds are disbursed.
3. As the agency receives invoices for the project deployment, it authorizes disbursements from the escrow account to pay the invoices.