Leasing Program

BUY NOW, PAY LATER.

Lease Purchase Basics

It’s not a “Lease”.

A municipal lease purchase agreement is a common and useful financing tool for capital equipment purchases such as hydrant converters and other water movement products that are essential to the safety of our communities.

It’s called a lease purchase agreement (or “installment purchase” depending on the state in which you reside) to comply with state municipal laws that restrict loans and bond financing.

A Municipal Lease Purchase agreement is NOT the same as a personal car lease. In order to qualify as a Municipal Lease Purchase, the intent has to be ownership and has to include a principal and interest column within the contact. Generally speaking, it is structured with NO residual or balloon payments at the end of the contracts. A Municipal Lease Purchase Agreement is very similar to a traditional loan in that:

- You are considered the owner and responsible for such things as maintaining and insuring the equipment.
- You make payments (subject to annual appropriation) to a lending institution for the duration of the lease.
- There is a lien placed on the equipment which is released without fee, residual payment, or any additional payments after all the contract payments have been paid.

It’s not a “Loan”.

A Municipal Lease Purchase Agreement was created to provide local communities with a financing option to finance and purchase capital equipment without the costly, unpredictable and time consuming requirements that exist with a traditional bond financing or a fixed term loan. A lease purchase agreement qualifies for low tax-exempt interest rates and in most states requires no voter approval and is not subject to debt limitations.

This is all possible due to the annual appropriation requirement used by municipal lease purchase agreements. This clause permits (in most states) the lease purchase payments to be considered a current expense and not a long term debt.

Municipal Lease Purchase Agreements Provide:

- Tax-exempt municipal interest rates
- Fixed payment structures
- Collateral vested in capital equipment
- Eliminates large upfront cash outlays for legal costs, issuance costs, etc.
- Simple, straight forward documentation
- Ownership of the capital equipment