

Daimler Truck Financial

# Financing for Municipalities





**At Daimler Truck Financial, every customer is important. We've been doing business that way since day one, which is why we have been a leader in the industry for close to 40 years.**

As the captive finance provider for Daimler Trucks North America, our sole focus is helping our customers get the financing they need. We provide specialized finance and lease solutions specific for the needs of municipalities and have financed over \$250 million in municipal and other government agency business.

## We Understand Your Business

We know that having the right trucks and equipment while making the most of your operating budget is a primary concern for municipalities. Daimler Truck Financial has the ability to craft finance programs tailor-made for your needs. We can help ease budgetary concerns and enable you to acquire the equipment you need today while allowing you to pay for it over time. We work to provide the most competitive, most cost-effective municipal finance programs available. We can also offer tax-exempt<sup>1</sup> municipal finance programs, which can increase your purchasing power and stretch your appropriated budget.



Daimler Truck Financial has extensive experience working with states, counties, cities, colleges, school districts and other municipal entities. Our dedicated municipal financing staff understands all the nuances that make municipal financing different from traditional retail financing, and because of this we can offer you better solutions than you'll likely find elsewhere. We are dedicated to supporting your bid and purchase cycles, existing equipment fleet, anticipating replacement or simply showing you various purchase scenarios. For example, we offer financing with semi-annual and arrears payments, providing a significant benefit for some municipalities.

#### **Benefits of Financing with Daimler Truck Financial Include:<sup>2</sup>**

- Competitive rates
- Transaction treated as a lease, not debt
- Rate locks (tied to your delivery schedule)
- Up to 100% financing with no down payment
- Customized finance packages (such as variable, skip or balloon payments)
- Monthly, annual, semi-annual or quarterly payment options
- Flexible repayment terms (based on your budget)
- Terms up to 7 years
- Simplified documentation
- Used equipment can be financed

## **Tax-Exempt Municipal Financing<sup>2</sup>**

#### **What is a Tax-Exempt Contract?**

- A contract that allows a public entity to purchase equipment and related services by making periodic payments over the useful life of the asset (i.e., an installment purchase contract).
- Included as a line item in the borrower's operating budget and treated as a lease (not debt) under applicable state law.
- Interest rates are lower than commercial rates due to the tax-exempt treatment.
- Installment payments are subject to annual budgetary appropriations by the municipality.
- Voter referendum is generally not required.

#### **Benefits of Tax-Exempt Financing Include:**

- Low-cost, tax-exempt capital
- Flexible repayment terms
- Maximizes use of budgeted funds
- Protection against obsolescence
- Matches expense with product useful life
- Easy to add on schedules
- Transaction treated as a lease (not debt) under applicable state law
- Straight-forward and efficient
- Borrower (municipality) holds the title



# Financing Structure Example<sup>3</sup>

## Situation

Highway Department has aging fleet, increasing maintenance costs, and a shrinking budget...

Age of Truck (Years)	1	5	8	10
Annual Maintenance Cost	\$2,000	\$3,000	\$4,000	\$4,500
Average Age of Fleet				8 years
Total Units in Fleet				27
Annual Acquisition Budget				\$130,000
Maintenance Budget				\$110,000
Cost of New Truck				\$65,000

## Who is Eligible?

Any municipality or political subdivision that can issue tax-exempt securities generally can utilize tax-exempt financing. Examples include:

- States
- State universities
- Cities
- Special purpose districts
- Counties
- Government-owned hospitals
- School districts

## What Assets are Commonly Financed?

- Essential-use assets
- Vocational vehicles (e.g., emergency service vehicles)
- Telecommunications equipment
- Computers (hardware & software)
- Government motor vehicle fleets
- Modular classrooms/buildings
- Heavy equipment (e.g., trucks, street sweeps)
- Public works equipment

## Retail Strategy

Equipment: Purchase 2 trucks  
 Payment: \$130,000  
 Average Age of Fleet: 8 years  
 Annual Maintenance Cost: \$108,000

## Municipal Financing Strategy

Equipment: Lease 9 trucks  
 Annual Payment: \$127,000  
 Average Age of Fleet: 5 years  
 Annual Maintenance Cost: \$81,000

## Comparison Results

Maintenance Savings: \$27,000  
 Trade-In Value Savings at \$246,600: \$24,600  
**Total Savings: \$51,600**

**Solution**  
 Turn acquisition payment into lease payment, lower average age of fleet and reduce maintenance costs.



## Daimler Truck Financial

Let our municipal financing experts develop a program for your city, district, state or other qualifying municipality that meets the fiscal challenges of your budget and stretches available funds. Our extensive experience in municipal financing can help structure a program that lowers your effective equipment acquisition costs by taking full advantage of all available tax benefits, low municipal rates and flexible repayment terms. We'll work with you to extend the power of limited capital to help acquire the vital equipment your community needs.

For additional information and to locate a dealer, please visit [daimler-truckfinancial.com](http://daimler-truckfinancial.com) or call 800-222-4221.

<sup>1</sup> Contact your tax advisor for tax advice.

<sup>2</sup> Subject to IRS rules.

<sup>3</sup> Actual rates, terms, down payment and program eligibility will be determined by Daimler Truck Financial's Credit Team, based upon creditworthiness of customer.