

State and Local Government Financing Guide

Graybar Financial Services (GFS) provides financing programs to the State and Local Government (SLG) market place for tax-exempt equipment acquisitions. Our SLG product provides municipalities with an alternative method to acquire equipment instead of relying on bond referendums or a cash purchase.

One of the unique features of the SLG lease is a “fiscal funding out” clause, which permits local governments to cancel the lease at the end of each fiscal year if funds are not appropriated for the next fiscal year.



Products

GFS can finance a wide range of commercial equipment including: Lighting and lighting controls, motor control, solar, power systems, building automation, data centers, security, mobility/wireless, unified communications, notification, audio/video, network infrastructure and services.

What are some of the benefits of tax-exempt leasing?

The benefits of a tax-exempt lease include:

- Preservation of capital dollars for other projects for which leasing is not optional
- Preservation of debt limitations does not create long-term debt on the entity's books
- Enables improvement of cash flow
- Incorporates flexible structuring to meet budget needs
- Low rates resulting from tax-exempt basis
- Offers an alternative financing option without voter approval
- Provides 100% project financing (including soft costs)

What is a tax-exempt lease?

A tax-exempt lease or lease-purchase agreement is an installment purchase, conditional sale or lease with an option to purchase for nominal value. It may also be referred to as a municipal lease.

Who qualifies for tax-exempt financing?

The issuer of a tax-exempt obligation, including a tax-exempt lease, must be a State or possession of the U.S., the District of Columbia, or a political subdivision thereof. Political subdivisions include cities, towns, counties and other municipalities. They may include state entities such as school districts, special purpose districts (fire, parks, utility, water, etc.), hospitals, agencies, authorities, boards and commissions. Not-for-profit organizations created under Section 501 (c) (3) of the Internal Revenue Code do not qualify directly as issuers of tax-exempt obligations but may be eligible with a sponsoring governmental unit. Not-for-profit organizations benefiting from tax-exempt leasing include:

- Health Care (Hospitals, Clinics, Nursing Homes, Life Care Centers)
- Education (Colleges and Universities, Preparatory Schools)
- Museums
- Research Centers

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