

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

632



FROM: Purchasing and Fleet Services Department

SUBMITTAL DATE:
July 9, 2015

SUBJECT: Approval of Additional Funding to the Agreement for the Multi-Year Lease Line of Credit for Financing Purchases of Fixed Assets with Banc of America Public Capital Corp., All Districts, [\$20,000,000 Total], 100% Department Budgets

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the additional funding to the Master Lease line of credit with Banc of America Public Capital Corp. from its original line of credit of \$40,000,000 for an additional \$20,000,000 line of credit, after the initial funds are exhausted, and;
2. Authorize the Purchasing Agent, in accordance with Ordinance No. 459, based on the availability of fiscal funding, to sign amendments that do not change the substantive terms of the agreement, as approved by County Counsel.

BACKGROUND:

Summary

(Continued on Page 2)

Departmental Concurrence

Lisa Brandl

Lisa Brandl, Director
Purchasing & Fleet Services Dept.

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$20,000,000	\$	\$20,000,000	\$	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$	\$	\$	\$	

SOURCE OF FUNDS: 100% Department Budgets

Budget Adjustment: No

For Fiscal Year: FY 15/16

C.E.O. RECOMMENDATION:

APPROVE

BY: *Ed Corser*
Ed Corser

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Tavaglione, seconded by Supervisor Washington and duly carried, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Tavaglione, Washington and Ashley
Nays: Jeffries
Absent: Benoit
Date: July 21, 2015
xc: Purchasing

Kecia Harper-Ihem
Clerk of the Board

By: *Karl Johnston*
Deputy

- A-30
- Positions Added
- 4/5 Vote
- Change Order

Prev. Agn. Ref.: 2-4-14 3-13

District: All

Agenda Number:

3-37

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: Approval of Additional Funding to the Agreement for the Multi-Year Lease Line of Credit
for Financing Purchases of Fixed Assets with Banc of America Public Capital Corp., All Districts,
[\$20,000,000 Total], 100% Department Budgets**

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BACKGROUND:

Summary (continued)

A lease line of credit is a financing tool used by departments to purchase capital equipment when funds for outright purchases are not available from the current department budget. Financing capital equipment at low interest rates allows continuity of core functions for departments. This financing mechanism has been in place within the County for over 20 years and has allowed departments to replace capital equipment when useful life has expired or when purchasing new capital equipment. Use of the line of credit is an option to departments and not a requirement. This financing is consistent with Board Policy B-24, Debt Management Policy, and is reviewed and approved by the Debt Advisory Committee prior to Board submittal. The lease line of credit is used only for capital equipment and not eligible for services.

The Purchasing Department handles the RFP and solicitation of bids by various finance institutions to achieve the lowest finance rate and subsequent to the award, administers the Master Lease agreement. To access the County's line of credit, the Purchasing Department works with the requesting department to assess whether the capital equipment is eligible, purchasing policies and procedures are followed and then approve or disapprove the request. If approved, the requesting department works directly with Banc of America on the finance terms, applicable interest rate, and signature of loan documents. Loan documents are not processed until the capital equipment is accepted by the user department. The Master Lease Agreement is with the County of Riverside, administered through the Purchasing Department, and the loan payments are paid directly from departments' budget.

In order to provide financing on an "as needed" basis, the Purchasing Department formally solicits an open line of credit via the Request for Proposal (RFP) process for a total amount to be accessed until the line of credit is exhausted. This provides for a readily available funding source that does not require Purchasing to repeatedly go to the Board of Supervisors for approval of multi-year financing each time a department wishes to finance the purchase of equipment. Through the budget process or a separate Form 11, the Board of Supervisors approves items for purchase either on a cash basis or through financing. Subsequent to the above mentioned parameter, all items financed through this line of credit have received prior approval from the Board of Supervisors. If more advantageous, the County reserves the right to utilize other financing.

Typical equipment financed with a lease line of credit includes vehicles for Fleet Services, trucks for the Fire Department, information technology equipment for RCIT, and various large equipment purchases for the Riverside County Regional Medical Center (RCRMC). Departments that have used the original line of credit approved in February 2014 include the following: RCIT, Fleet Services, Fire, DPSS, RCRMC, Registrar of Voters and the Transportation Department. The finance period is based on a variety of factors, including useful life, bank requirements and/or department preference. The finance period varies between two and 10 years. The average finance period for departments is five years.

Additional funding is required to meet the upcoming needs of departments for FY 15/16, which includes 14 fire trucks for the Fire Department, two heavy equipment purchases for the Transportation Department (their practice has been to lease heavy equipment over \$200,000), replacement of medical technology equipment at RCRMC, and to fulfill some of the vehicles approved in the FY 15/16 budget for Fleet Services. With these upcoming needs, it is anticipated that the additional funding in this submittal will be exhausted and another RFP will need to be solicited during the fiscal year.

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Impact on Citizens and Businesses

There are no direct impacts to residents or businesses.

Contract History and Price Reasonableness

On December 13, 2013, Purchasing presented to the Debt Advisory Committee (DAC) the results of the Line of Credit RFP PUARC-1317, and recommended award to the lowest responsive/responsible financial institution, Banc of America Public Capital Corp. The Debt Advisory Committee unanimously approved the recommendation of an award with Banc of America Public Capital Corp., which was subsequently approved by the Board of Supervisors on February 4, 2014 on agenda item 3-13.

Based on the needs of the departments, and because Banc of America will honor the existing Master Lease Agreement's contract and rates, the Purchasing Department determined it was the most advantageous avenue for the County to add available funding to the existing line of credit. On July 9, 2015, Purchasing presented to the Debt Advisory Committee (DAC) a request to approve the additional funding to the Master Lease for an additional \$20 million, which is based on the projected needs of county departments. During said meeting, the Debt Advisory Committee unanimously approved the additional funding request to the existing Master Lease.

Although lease lines of credit are not debt, under California law, Board Policy B-24 treats lease lines of credit as though it were debt and subjects lease lines of credit to the County's debt limitations policy. The Executive Office reviewed the impact of the additional \$20,000,000 lease line of credit increase and determined the additional extension of credit does not result in the County exceeding the Board's debt policy limit of 7% of discretionary revenue.

The rate is subject to timing of the index; however, once the department finalizes its financing the rate is fixed. Below is a table of the proposed variable interest rates available to the County from Banc of America for the week ending July 3, 2015:

Banc of America Proposed Finance Rates

Term	Index	Interest Rate	Minimum Schedule
24 Months	Two year treasuries	0.65	None
36 Months	Three year treasuries	1.03	None
60 Months	Five year treasuries	1.65	None
84 Months	Seven year treasuries	2.09	None
120 Months	Ten year treasuries	2.38	None