



# City Council Memorandum

City of Arts & Innovation

**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: SEPTEMBER 17, 2024**

**FROM: PUBLIC WORKS DEPARTMENT                      WARDS: ALL**

**SUBJECT: INTERFUND LOAN FROM THE GENERAL FUND TO THE SOLID WASTE FUND FOR PURCHASE OF SOLID WASTE COLLECTION VEHICLES – SUPPLEMENTAL APPROPRIATION AND INTERFUND TRANSFER AND PURCHASE OF SEVEN COMPRESSED NATURAL GAS AUTOMATED SIDE-LOADING REFUSE TRUCKS FROM PETERBILT MOTORS COMPANY OF PICO RIVERA, CALIFORNIA, IN THE AMOUNT OF \$3,355,924.67**

**ISSUE:**

The issue for City Council consideration is an interfund loan from the General Fund to the Solid Waste Fund in the amount of \$2,870,000 to purchase new solid waste collection vehicles; approve the purchase of seven compressed natural gas automated side-loading refuse trucks from Peterbilt Motors Company of Pico Rivera, California, in the amount of \$3,355,924.67.

**RECOMMENDATIONS:**

That the City Council:

1. Approve a \$2,870,000 loan from General Fund Infrastructure Reserves to the Solid Waste Fund for purchase of new solid waste collection vehicles;
2. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record a supplemental appropriation and interfund transfer from the General Fund to the Solid Waste Fund in the amount of \$2,870,000;
3. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record a supplemental appropriation in the amount of \$2,870,000 in the Solid Waste Fund, Capital Purchases account;
4. Authorize the City Manager, or designee, to execute the necessary interfund loan documents; and
5. Approve the purchase of seven compressed natural gas automated side-loading refuse trucks from Peterbilt Motors Company of Pico Rivera, California in the amount of \$3,355,924.67.

**BACKGROUND:**

The City has historically used interfund loans as a means of funding certain projects for which external, traditional bond, or bank loan financing was not available or cost effective. All interfund loan borrowing has been authorized in advance by the City Council. These projects have most often been in the 3–5-year repayment term, though some have been approved with longer repayment terms for various reasons, consistent with the terms of the Interfund Loan Policy (Attachment 1).

The City has a long history of utilizing the interfund loan program as a means to lower its borrowing costs and support its various departments' capital improvement projects. The City has approved over 84 interfund loans over a period of 37 years, totaling more than \$166.3 million loaned. The most recent interfund loan was the Airport Fund Loan for \$2 million issued in Fiscal Year 2024-25 with a final maturity date of 2037.

As of the First Quarter of Fiscal Year 2024-2025, the following interfund loans are outstanding:

<b>Debt Issuance Name</b>	<b>Fiscal Year Issued</b>	<b>Final Maturity</b>	<b>Total Issue Size</b>	<b>Outstanding Principal as of 7/1/2024</b>	<b>Q1 2024 Principal Payments</b>	<b>Projected Outstanding Principal Balance 6/30/2025</b>
Airport Interfund Loan	2025	2037	\$ 2,000,000	\$ 2,000,000	-	\$ 2,000,000
Reid Park Acquisition Interfund Loan	2011	2028	\$ 720,000	\$ 200,332	\$ 56,987	\$ 143,345
Riverside Golf Course Acquisition Interfund Loan	2011	2028	\$ 4,837,500	\$ 1,362,655	\$ 380,494	\$ 982,161
Parking Interfund Loan Outlay Garages 1 & 2	2024	2034	\$ 2,000,000	\$ 2,000,000	-	\$ 1,800,000
Utilities Plaza Purchase Interfund Loan	2012	2027	\$ 4,469,221	\$ 824,873	\$ 307,005	\$ 824,873
<b>Total Interfund Loans</b>			<b>\$14,026,721</b>	<b>\$ 6,387,860</b>	<b>\$ 744,486</b>	<b>\$ 5,443,374</b>

Reports on all subsequent changes in the interfund loan program are reported quarterly as part of the Cash, Investments and Debt Report that is brought to Council for review.

**DISCUSSION:**

The Public Works Department Solid Waste Division operates a fleet of 43 automated refuse trucks to pick up residential trash, recycling, and green waste from residences throughout the City of Riverside. Over the years, the replacement of refuse trucks has not been consistent, which has led to a vehicle shortage as well as an aging fleet. Currently, there are 9 side-loading refuse trucks that have been out of service for an extended period of time due to accidents, irreparable fire damage, or major repairs that are very costly. The recommended service life for refuse trucks ranges from 8 to 10 years, and there are currently 23 refuse trucks that have been in service for more than 10 years. Each vehicle will be replaced in accordance with the City's equipment replacement plan and federal, state and local environmental regulations.

In August 2024, Solid Waste staff learned from Peterbilt Motors Company (Peterbilt) that they can manufacture and deliver five new compressed natural gas (CNG) automated side-loading refuse

trucks in December 2024 and January 2025, if the City expedites an order, with two additional trucks to follow later in 2025. The Solid Waste Division budgeted \$1.1 million for vehicle replacements in FY 2024/25 but the Solid Waste Fund is positioned to operate in a deficit through Fiscal Year 25/26 and does not have extra funding available today for an order of this size. Should an eighth truck become available, Solid Waste will use the remainder of the loan to procure the truck.

Vehicle purchases for Solid Waste have been deferred for the past decade, with minimal investment in replacement vehicles resulting in the purchase of only 6 new side-loading trucks from 2016 through 2021. As a result, the Solid Waste fleet is aging well beyond expected life expectancy and there are an insufficient number of trucks available to provide daily service. In July 2021, the City Council approved use of American Rescue Plan Act (ARPA) funding to rebuild the City fleet and invested in 10 new CNG automated side-loading trucks, which are expected to arrive in the coming months. These 10 vehicles will replace 9 trucks that are out of service due to age, irreparable damage, or costly repairs, as well as 1 left-hand drive truck that is over 18 years old. An additional 5 trucks would enable Solid Waste to replace the five remaining left-hand drive trucks that are over 17 years old.

Sourcewell is a national service cooperative created to provide government procurement resources and solutions to members in the government, education, and nonprofit sectors. Since the City of Riverside is a member of Sourcewell, Peterbilt Motors Company is able to provide the best overall government pricing in accordance with Cooperative Agreement Number 060920-PMC.

The utilization of the Sourcewell contract is in accordance with Purchasing Resolution No. 24101, Section 602(f) which states that, “Competitive Procurement through the Informal Procurement and Formal Procurement process shall not be required in any of the following circumstances: ... (f) When Cooperative Purchasing is available and undertaken or when Goods can be obtained through Federal, State and/or other public entity pricing contracts or price agreements”.

The Purchasing Manager concurs that the recommendations are in accordance with Purchasing Resolution 24101, Section 602.

The cost of the new CNG trucks includes a Sourcewell discount in the amount of \$345,285.

<b>Unit Price</b>	<b>Sales Tax (8.75%)</b>	<b>Misc. Fees</b>	<b>Total for Each Truck</b>
\$440,797.53	\$38,569.78	\$50.50	\$479,417.81
<b>Total for 7 trucks</b>			<b>\$3,355,924.67</b>

These vehicles meet the requirements of South Coast Air Quality Management District Rule 1193 (Clean on-road residential and commercial refuse collection vehicles), which requires public and commercial solid waste collection fleets to acquire alternative-fuel heavy-duty vehicles to reduce pollutant emissions. Additionally, these new CNG trucks are offset by the City’s purchase of Ford F150 Lightning electric trucks with extended battery life, adhering to the new Advanced Clean Fleet rule effective January 1, 2024.

The Finance Department proposes the following interfund loan structure, with payments aligned to the Refuse (Solid Waste) Fund’s vehicle replacement budget presented in its five-year plan during the adoption of the FY 2024-2026 Biennial Budget:

**INTERFUND LOAN STRUCTURE DETAILS:**

**Fund Lending:** General Fund  
**Fund Borrowing:** Solid Waste Fund  
**Term Length:** 3-year term  
**Payment Frequency:** Annual  
**Payment Dates:** June 30<sup>th</sup>  
**Payment Structure:** See table below – aligned to five-year plan  
**Interest rate:** City Pool Rate (reset annually at end of fiscal year)  
**Borrowing Amount:** \$2,870,000

Interfund Loan Estimated Debt Service schedule:

Fiscal Year Ending Date	Fiscal Year / Transaction Date	Total Loan Payment	Principal Due 7/1	Interest Due 6/30 *	Loan Balance	Interest Accrual Rate	Number of Days in period
2025	9/17/2024	\$(2,870,000.00)			\$ 2,870,000.00		
2025	6/30/2025	67,684.17	\$ -	67,684.17	2,870,000.00	3.00%	283
2026	7/1/2025	786,100.00	700,000.00	86,100.00	2,170,000.00	3.00%	360
2027	7/1/2026	1,135,100.00	1,070,000.00	65,100.00	1,100,000.00	3.00%	360
2028	7/1/2027	1,133,000.00	1,100,000.00	33,000.00	0.00	3.00%	360
		<b>\$ 3,121,884.17</b>	<b>\$ 2,870,000.00</b>	<b>\$ 251,884.17</b>		<b>3.00%</b>	

\* Estimated projections - replace with actuals after fiscal year has closed and City's pooled rate has been finalized.

The schedule above represents estimated debt service obligations based upon an interest rate of 3.0%. The interest rate is derived from the City’s Variable Pool Rate and resets annually upon fiscal year end close. Over the last 15 fiscal years, the City Pool Rate has ranged from 0.86% to 3.46%, with an average of 1.49%. Using 3.0% for budgetary purposes represents a conservative estimate of the obligation.

The Finance Director/Assistant Chief Financial Officer and the General Services Director concur with this report.

**STRATEGIC PLAN ALIGNMENT:**

This action contributes to the City’s **Strategic Priority 5 – High Performing Government and Goal No. 5.4** Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.

This item aligns with each of the five Cross-Cutting Threads as follows:

- Community Trust** –The recommended interfund Solid Waste Loan demonstrates the City’s commitment to the community and stabilizing solid waste service, and to be transparent about the financing source for planned capital purchases.
- Equity** – This action will benefit the entire community because it enhances city-wide services.
- Fiscal Responsibility** – The interfund loan allows Solid Waste to rebuild its fleet more rapidly.

4. **Innovation** – The proposed interfund loan is a creative alternative to traditional approaches of purchasing solid waste vehicles.
5. **Sustainability & Resiliency** – This action will result in vehicles which meet the very stringent South Coast Air Quality Management District requirements as well as Environmental Protection Agency emissions regulations. These newer compressed natural gas (CNG) vehicles produce significantly less carbon emissions than the older vehicles.

**FISCAL IMPACT:**

The total fiscal impact of this action is estimated at \$3,121,884.17 over the life of the loan, including principal and interest. The \$2,870,000 Solid Waste Fund Loan will require estimated annual debt service payments of \$700,000 to \$1.1 million, with estimated interest costs totaling \$251,884.17 over the 3-year repayment term, resulting in a total estimated payback amount of \$3,121,884.17 payable to the General Fund. Appropriations for debt service obligations will be included in the Solid Waste Fund budget submissions for future fiscal years to be presented to the City Council for approval.

If approved, a supplemental appropriation in the amount of \$2,870,000 will be recorded in the General Fund for the interfund transfer to the Solid Waste Fund. An equal amount will be appropriated in the Solid Waste Fund, Solid Waste Collection, Automotive Equipment account number 4130100-462100 for the vehicle purchase. There are sufficient General Fund Infrastructure Reserves to accommodate the interfund loan, and payments on the principal will be used to replenish the Infrastructure Reserve.

The FY 2024/25 Solid Waste budget includes \$1.1 million in the Solid Waste Fund, Solid Waste Collection, Automotive Equipment account number 4130100-462100 for vehicle purchases this year.

Prepared by: Lee Withers, Deputy Public Works Director  
Approved by: Gilbert Hernandez, Public Works Director  
Certified as to  
availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer  
Approved by: Kris Martinez, Assistant City Manager  
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Interfund Loan Policy
2. Interfund Loan Debt Service Proposal 3yr
3. Sourcewell Contract #060920-PMC
4. Peterbilt Motors Company Quote
5. Presentation