



PARTICIPATION IN 2016 CITY LEASE PURCHASE BOND FINANCING

Board of Public Utilities
December 12, 2016

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Water Utility Equipment Needs

1. Water Utility utilizes heavy vehicles and equipment for the construction of water capital improvement projects.
2. Equipment is critical to daily mission and needs to be safe and reliable.
3. During budget process, the Water Utility communicated the need of approx. \$2M of equipment needing to be replaced.

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Water Equipment Needs (cont.)

4. On average, existing equipment is 20 years old
5. Board and Council approved funding in the 2-year budget and also set up a capital replacement reserve to replace equipment more routinely and timely.
6. Plan was to research financing and purchase options with funding available.

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City Equipment Needs

1. City will be purchasing \$9 million of equipment and software for the Police and Community Development Departments.
2. City Council approved the use of lease purchase bond financing for these purchases.
3. City CFO recommended combining City and Utility equipment needs to obtain best pricing.

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What is Lease Purchase Bond Financing?

1. A tax-exempt structure with features similar to both a loan and a lease
 - a. Like a loan City would have title to asset during the term and gains ownership at the end of the term.
 - b. Like a lease Financing is subject to annual renewal or termination.
2. Legally not a “Debt” from a constitutional perspective, no multi-year obligation is created.
3. Must appropriate annual lease payments.
4. Treated as a capital lease (GAAP).

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Benefits of Lease-Purchase Financing

1. Conserves our cash on hand
2. Very flexible structures, match financing terms with useful life
3. Simpler administration
4. Lower transaction costs

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Estimated Financing Costs & Funding

1. Estimated to be financed: \$1,940,000 + \$12,000 issuance costs (RPU share)
2. Term: 10 Years (120 months)
3. Estimated Interest rate: 3%
4. Estimated Annual Payment: \$230,000
5. Est. Total Principal and Interest: \$2,300,000
6. Adequate funding available in 2-year Budget
7. Remaining annual payments will be included in future budgets

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Recommendations

That the Board of Public Utilities:

1. Approve Riverside Public Utilities participation in the 2016 City Lease Purchase Bond Issuance for the purchase of Water Heavy Vehicles and Equipment in an estimated financed amount of \$2,300,000;
2. Authorize the City Manager, or his designee, to execute the necessary documents; and
3. Direct staff to provide a report to the Board with the final associated costs and terms for the Water Utility's share of the Lease Purchase Bonds after approval by the City Council.

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