



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MARCH 14, 2017

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: NEW CAPITAL LEASE FINANCING FOR COMPUTER SOFTWARE, COMPUTER EQUIPMENT, RADIOS, RELATED ANCILLIARY RADIO EQUIPMENT AND HEAVY VEHICULAR EQUIPMENT FOR THE POLICE DEPARTMENT, THE COMMUNITY AND ECONOMIC DEVELOPMENT DEPARTMENT AND THE UTILITY DEPARTMENT IN THE AMOUNT UP TO \$10,500,000

ISSUE:

Approve a capital lease for the financing of 1) software, hardware, and installations costs fixtures for the Community and Economic Development Department, 2) computers, radios, ancillary radio equipment and records management software for the Police Department; and 3) heavy water equipment for the Riverside Public Utilities Department in an amount up to \$10,500,000.

RECOMMENDATIONS:

That the City Council:

1. Adopt a resolution approving a financing agreement with Banc of America Public Capital Corp in the amount of up to \$10,500,000, payable over an eight to ten year period at an blended interest rate of 2.3452% and other related documents; and
2. Authorize the Mayor, City Manager, and/or the Chief Financial Officer, to execute all documents necessary to complete the financing including making minor and non-substantive changes.

BOARD RECOMMENDATION:

On December 12, 2016, the Board of Public Utilities, with 7 of the 8 board members present, unanimously approved Riverside Public Utilities' participation in the 2016 City Lease Purchase Bond Issuance for the purchase of Water Heavy Vehicles and Equipment in an estimated amount of \$2.3 million.

BACKGROUND:

The City's various departments have periodic needs for equipment acquisitions that are typically funded through capital lease financings of a short to medium term.

On October 6, 2015, City Council approved the Community and Economic Development Department's acquisition of the planning and building software, POSSE, and related equipment for up to \$3 million using lease purchase financing.

On July 14, 2015, City Council approved the Police Department's request to acquire equipment in able to join the County's radio system for up to \$7 million including all related radio equipment and switching costs to join the County's system and to use a lease purchase funding mechanism to pay for it. Subsequently, the costs of the system were below the \$7 million initially authorized by Council and on March 3, 2016, the Council approved the PD to take any savings from this purchase and apply this savings to purchase a new records management system.

On October 25, 2016, City Council approved the award of the new records management system (called RMS) for \$1,304,070 and approved additional funds for implementation and upgrades of the records management system, thus approving a total allocation for the radio and records management system of \$7.7 million.

On December 12, 2016, the Board of Public Utilities approved the heavy equipment inventory replacements and approved the participation in the Lease Purchase Program being set up for the other departments with a total allocation not to exceed \$2.3 million.

After finalizing the costs for all these purchases, of the approximately \$13 million in authorized allocations only approximately \$10.5 million is needed for the lease-purchase financing.

DISCUSSION:

In December 2016, after determining the needs of these various projects and the final costs, the Finance Department issued a Request for Proposal (RFP) to privately place a lease financing for capital equipment and software. The RFP was sent to more than 25 financial institutions, including Riverside banks, and seven responses were received.

Based on the criteria set forth in the RFP, it was determined that the proposal submitted by Bank of America - Merrill Lynch (now called Banc of America Public Capital Corp) provides the lowest cost of borrowing.

Equipment and Detailed Costs

The proposed lease financing will allow the City to acquire the following equipment:

1. \$5,119,000 Radio Hardware/Software (Public Safety)
2. \$1,310,000 Records Management Software (Public Safety)
3. \$1,510,000 POSSE Software (Community and Economic Development)
4. \$2,305,000 Water System Heavy Vehicles (RPU)

Finance Plan

The Finance Department is seeking to finance up to approximately \$10.5 million of Capital Equipment (including software) for the various departments described above. The Capital Equipment will be the subject of the Lease Agreement.

It is expected that much of the Capital Equipment will be ready to be purchased/funded on the day of closing, though some will remain to be purchased after closing. Staff expects annual debt service to be consistent for each of the components based on the agreed upon interest rate.

The financing will be secured by a Lease Agreement on the Capital Equipment, and Base Rental payments under the Lease Agreement would be made from the City's General Fund. The City will enter into a Master Lease Agreement with Banc of America, very similar to the current lease financing with Banc of America. Pursuant to this agreement, the City will covenant to make Base Rental Payments for the Capital Equipment, to include all such Base Rental payments in each of its budgets, and to make the necessary annual appropriations for all such Base Rental payments.

There is no reserve fund required in this financing, and the financing will be tax-exempt. The financing costs associated with this debt financing amount to \$37,825 representing less than 0.4% of the total financing. Below is a summary of the financing terms:

	Radio Hardware/Software (Public Safety)	Records Management Software (Public Safety)	POSSE Software (Community Development)	Water System Heavy Vehicles (RPU)
Borrowing Amount	\$5,119,000	\$1,305,000	\$1,505,000	\$2,300,000
Borrowing Term	8 Years	8 Years	8 Years	10 Years
Blended Interest Rate	2.37%	2.37%	2.37%	2.37%
Annual Payment	\$708,000	\$181,000	\$208,000	\$260,000
Total Payments	\$5,648,000	\$1,444,000	\$1,664,000	\$2,598,000

FISCAL IMPACT:

The proposed capital lease requires annual debt service payments of \$708,000, \$181,000, \$208,000 and \$259,000 for each of the four projects with three terms set at 8 years and one term set at 10 years with a blended interest rate of 2.37%. The payments will begin in Fiscal Year 2017/18, with sufficient appropriations included in the General Fund budget to fund the debt service.

Prepared by:	Scott G Miller, PhD, Chief Financial Officer/Treasurer
Certified as to	
Availability of funds:	Scott G Miller, PhD, Chief Financial Officer/Treasurer
Approved by:	Marianna Marysheva, Assistant City Manager
Approved as to form:	Gary G. Guess, City Attorney

Attachments:

1. Resolution Approving Lease Financing
2. Sources and Uses of Funds
3. Schedule of Property
4. Escrow Agreement and Addenda
5. Board of Public Utilities Minutes of December 12, 2016
6. Presentation