



# CAPITAL LEASE FINANCING HEAVY EQUIPMENT AND VEHICLES

## Public Utilities Department

### Board of Public Utilities

June 24, 2024

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1

## BACKGROUND

1. On March 13, 2023, Board of Public Utilities (BPU) recommended that the City Council approve vehicle purchases utilizing Sourcewell Cooperative Purchasing in the amount of \$4.814 million, and authorize the City Manager or designee to execute all purchase agreements associated with this request
2. On April 18, 2023, City Council approved BPU's recommendations from March 13, 2023



2

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2

## BACKGROUND

1. On June 21, 2022 the City Council approved Fiscal Year Biennial Budget 2022-2024 authorizing the replacement of vehicles that had reached the end of their useful life through a competitive loan financing
  
2. All equipment has been purchased utilizing purchasing resolution no. 23914, 602(f); and
  
3. In conjunction with California Air Resources Board air quality compliance guidelines



3

3

## PROPOSED VEHICLE LIST

Equipment Type	Quantity	Estimated Actual Cost Per Vehicle	Total Estimated Cost
Service Truck Freightliner 114SD (Sourcewell #060920)	5	\$400,575	\$2,002,875
Dump Truck Pterbilt 16' Dump (Sourcewell #060920)	6	\$342,705	\$2,056,230
Boom Truck Elliot – 1870F (70' boom) (Sourcewell #110421)	1	\$428,930	\$428,930
Water Ops Truck Ford 350 (Sourcewell #060920)	2	\$125,390	\$250,780
Cargo Van Ford Transit 250 MR (Sourcewell #091521)	1	\$75,000	\$75,000
		Total:	\$4,813,815



4

4

## FINANCING TEAM

The financing team is City staff from the Finance Department, City Attorney’s Office and RPU.

Below is a list of the counterparties involved in the financing.

Entity Name	Role
CSG Advisors	Municipal Advisor
JPMorgan Chase N.A	Lender
Stradling	Bond/Disclosure Council



## FINANCING PLAN

- On April 3, 2024 Finance Department released a Request for Proposal through its financial advisor to 16 Direct Lenders that provide capital lease financing
- 8 qualified responses were received
- JPMorgan Chase Bank, N.A. was selected as lender, they offered the lowest borrowing cost of 4.149% for the financing terms the City requested



## ESTIMATED SEMI-ANNUAL DEBT SERVICE SCHEDULE

JP MORGAN CHASE BANK 7-YEAR Borrowing Term					
Loan Amount	\$ 4,814,000.00				
Estimated Interest Rate	4.149%				
Payment	Principal	Interest	Total	Annual	Balance
1	\$299,867.38	\$99,866.43	\$399,733.81		4,514,132.62
2	\$306,088.13	\$93,645.68	\$399,733.81	\$799,467.62	4,208,044.49
3	\$312,437.93	\$87,295.88	\$399,733.81		3,895,606.56
4	\$318,919.45	\$80,814.36	\$399,733.81	\$799,467.62	3,576,687.11
5	\$325,535.44	\$74,198.37	\$399,733.81		3,251,151.67
6	\$332,288.67	\$67,445.14	\$399,733.81	\$799,467.62	2,918,863.00
7	\$339,182.00	\$60,551.81	\$399,733.81		2,579,681.01
8	\$346,218.33	\$53,515.48	\$399,733.81	\$799,467.62	2,233,462.68
9	\$353,400.63	\$46,333.18	\$399,733.81		1,880,062.05
10	\$360,731.92	\$39,001.89	\$399,733.81	\$799,467.62	1,519,330.13
11	\$368,215.31	\$31,518.50	\$399,733.81		1,151,114.82
12	\$375,853.93	\$23,879.88	\$399,733.81	\$799,467.62	775,260.89
13	\$383,651.02	\$16,082.79	\$399,733.81		391,609.86
14	\$391,609.86	\$8,123.95	\$399,733.81	\$799,467.62	-
Total	\$4,814,000.00	\$782,273.35	\$5,596,273.35	\$5,596,273.35	



## STRATEGIC PLAN ALIGNMENT

### Strategic Priority 5 -High Performing Government

**Goal 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.

#### Cross-Cutting Threads



Community Trust



Fiscal Responsibility



Sustainability & Resiliency



Equity



Innovation



## RECOMMENDATIONS

That the Board of Public Utilities recommend that the City Council:

1. Adopt a resolution approving the financing agreement with JPMorgan Chase Bank, N.A. in the amount of \$4.814 million plus interest payable over a 7-year period with an estimated interest rate of approximately 4.149%;
2. Authorize an increase in estimated revenues in the amount of \$4,814,000 to reflect the proceeds of the capital lease financing agreement;
3. Authorize a supplemental appropriation in the amount of \$4,814,000 from the Water Fund, Water Automotive Equipment Account, for the purchase of vehicles and related equipment;
4. Authorize the estimated costs of issuance expenditures of \$50,000 associated with this financing to be paid from existing appropriations in the Water Fund, Debt Related Fiscal Charges Account; and
5. Authorize the City Manager, or designee, to execute all the documents necessary to complete the financing and purchasing of the vehicles and related equipment, including approving purchase orders and making minor and non-substantive changes.



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