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# **DEBT ADVISORY COMMITTEE**

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**Special Meeting  
Wednesday, April 10, 2019  
9:00 a.m.**

**County Executive Office  
4<sup>th</sup> Floor of the CAC Annex  
Conference Room C**

## **AGENDA**

1. Call to Order and Self-Introductions
2. Approval of the December 6, 2018 Special DAC Meeting Minutes
3. Tobacco Securitization Refunding
4. Banc of America Line of Credit
5. Public Comment
6. Next Meeting (May 9, 2019) or as needed
7. Adjourn

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# SPECIAL DEBT ADVISORY COMMITTEE

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## MINUTES OF MEETING

December 6, 2018 8:00 a.m.

County Executive Office  
4080 Lemon Street, 4<sup>th</sup> Floor  
Conference Room C

**Members Present:**

Don Kent  
Ivan Chand  
Matt Jennings  
Frankie Ezzat  
Michael Thomas

County Executive Office (Chair)  
Community Facilities/Assessment District  
Treasurer-Tax Collector  
Auditor-Controller  
County Counsel

**Members Absent:**

Robert Field  
Jason Uhley

Economic Development Agency  
Flood Control and Water Conservation District

**Staff and Guests Present:**

Stephanie Persi  
David McCarthy  
Giovane Pizano  
Valerie Arce  
Daniel Wiles  
Michael Williams  
Joe Zamora  
Gus Vazquez  
Brian Burkland

Executive Office  
County Counsel  
Treasurer-Tax Collector  
County Executive Office  
Fieldman, Rolapp, and Associates  
C.M. de Crinis  
RUHS Finance Director  
RCIT  
Auditor-Controller

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**1. Call to Order and Self-Introductions**

The Debt Advisory Committee meeting was called to order at 8:01 a.m. Those present made self-introductions.

**2. Approval of the Minutes for October 11, 2018 and August 9, 2019**

Giovane Pizano of the Treasurer-Tax Collector noted a few minor changes to the October 11, 2018 meeting minutes.

**MOTION: Giovane Pizano moved to approve both the October 11, 2018 meeting minutes with the outlined revisions and the August 9, 2018 meeting minutes.**

**Don Kent seconded this.**

**The motion approved unanimously.**

**3. RUHS – MOB – Purchase and Financing of FFE**

Joe Zamora, RUHS Finance Director, reported that a large amount of work has been completed on the Medical Office Building (MOB) Project. Two previous items have gone to the Board of Supervisors. The first was the ground lease. The second was the consulting agreement earlier this year to develop the plan for the equipment and furniture that will be placed into the building. The result of the second item was presented.

The proposal is to use the Bank of America line of credit to finance up to \$30 million for equipment and furniture. These would be major capital medical equipment which has a life of 5-10 years. The lowest cost piece of equipment cost approximately \$4,500 and the amounts increase from that amount. Mr. Zamora shared that the department has worked very closely with the Executive Office to develop the plan presented today.

Mr. Pizano inquired about the terms for the Bank of America line of credit.

Ivan Chand shared that the line of credit is based on the Treasury index. Currently, there is a \$50 million line of credit with Bank of America which will be used. The term depends on the life of the equipment. A list of assets with life expectancies was provided to Bank of America.

Mr. Kent shared that the Board of Supervisors is concerned with financing in general. He shared that one positive feature of the line of credit is that there is no prepayment penalty.

Mr. Zamora reported that MRI machines run for approximately 5-7 years. As part of the item, not of the financing, there will also be a warranty and maintenance for the equipment to extend the life of them. The earliest that equipment will arrive will be late next year. However, as with any new medical building, some equipment and furniture will have to be in place upon its opening. Costs will need to be incurred to allow these items to be in place so that services can be provided. Services will need to be provided so that the department can begin to receive a return on investment. Performance estimates have been shared with both the Executive Office and Board of Supervisors. These will also be part of the public presentation scheduled for next week on Tuesday, December 11, 2018. The "ramp up" period will continue to be discussed with the

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Executive Office. The building should be finished by December 2019 or later. There is a projected \$100 million return on investment. This building will improve both the medical center and the health system.

There has been and will be additional work with the Executive Office during this startup time.

**MOTION: Frankie Ezzat moved to approve.**

**Don Kent seconded.**

**All were in favor. The motion approved unanimously.**

#### **4. RCIT – PSEC – Microwave Upgrade and Financing**

Gus Vazquez, RCIT Public Safety Enterprise Communication (PSEC) Division Manager, reported that PSEC is the Riverside County radio system used by the Fire Department, Sheriff Department, and many other Riverside County departments. The microwave, which is the backbone of the radio system, is at its end of its life and needs to be replaced.

Several financing options were explored, including Riverside County's financing options with Bank of America. Motorola was determined to be the best option. A 15-year term, with the first 2 years deferred, would have a fixed rate of 3.66% annually. There is also not a prepayment penalty.

The rates are currently at \$187 per radio, per month. Riverside County Fire and Sheriff Department staff are the main users and general funds are used to pay for their portion. Riverside County is paying for this Microwave upgrade which allows rates to stay low, and is exploring a long-term plan to regionalize. The plan is to acquire more users.

Mr. Vazquez reported that leases "drop off" in 2 years and rates would go down at that time. Instead, the money that is being given to the Fire and Sheriff Departments would be given directly to PSEC, keeping rates down and potentially allowing Riverside County to bring aboard new users.

There will not be an additional ask for Net County Costs (NCC). The same NCC that was being provided for the Fire and Sheriff Departments will be used to pay for the microwave.

Ivan Chand report that the item will be presented to the Board of Supervisors with the agreement of the Sheriff Department, Fire, and PSEC. The amount of NCC provided to the Sheriff Department will be reduced. The goal is to obtain more users. More users will provide a lower rate for all. However, in order to attract more users, they must be in the \$100-\$120/month range. Currently, they are at \$180/month. Mr. Chand shared that Mr. Vazquez and his team have asked several other agencies to join the countywide system. Overall, the good news is that the use of NCC is not increasing and rates should remain low.

The item will be presented to the Board of Supervisors on Tuesday, December 11, 2018.

**MOTION: Ivan Chand moved to approve.**

**Giovane Pizano seconded.**

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**All were in favor. The motion approved unanimously.**

**5. Public Comment**

No public comments

**6. Next Meeting**

The next regularly scheduled Debt Advisory Committee Meeting is scheduled for Thursday, December 13, 2018 at 9:00 a.m., or as needed. Chairman Don Kent noted that the meeting may not be necessary and, should it be canceled, all would receive notice prior to that date.

**7. Adjourn**

With no further business, Chairman Don Kent, adjourned the Debt Advisory Committee Meeting at 9:00 a.m.

**SUBMITTAL TO THE DEBT ADVISORY COMMITTEE  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



**FROM:** EXECUTIVE OFFICE      **SUBMITTAL DATE:** April 2, 2019

**SUBJECT:** \$95,000,000 (estimated) Inland Empire Tobacco Securitization Authority Tobacco Settlement Asset-Backed Bonds, Series 2019 Turbo Current Interest Bonds (Federally Taxable)

**RECOMMENDED MOTION:** That the Debt Advisory Committee recommends approval of the \$95,000,000 (estimated) Inland Empire Tobacco Securitization Authority Tobacco Settlement Asset-Backed Bonds, Taxable Series 2019 Turbo Current Interest Bonds (Federally Taxable) (the "2019 Bonds") to the Board of Supervisors.

**BACKGROUND:**

In 1998, a settlement agreement was entered into between 46 states, including the State of California, and the major tobacco companies to settle litigation relating to the long-term health care costs of smoking (the "Master Settlement Agreement" or the "MSA") and the payment of Tobacco Settlement Revenues ("TSRs"). California is one of only two states that shares its MSA payments with cities and counties pursuant to a Memorandum of Understanding (the "MOU"). Under the MOU, the State receives 50% of each payment, the counties share 45% and the four largest cities share 5%. The County of Riverside (the "County") currently receives 2.6449% of the State's annual TSR payments which is subject to revision every 10 years based on the County's population as a percentage of the State as reported by the most recent US Census.

The MSA was executed by 46 states while the other 4 states have their own separate agreements. Twenty-one states have securitized their TSRs in one form or another. The District of Columbia and 5 U.S. territories also participate in the MSA, 3 of these have securitized their TSRs. Fourteen of the 58 California counties and 1 city have securitized their TSRs directly including: Alameda, Fresno, Kern, Los Angeles, Marin, Merced, Placer, Riverside, Sacramento, the County of San Diego, the City of San Diego, Santa Clara, Sonoma, Stanislaus, and Tulare. In addition, 10 counties securitized through a pooled financing including: Colusa, Imperial, Kings, Madera, San Benito, Solano, Tehama, Tuolumne, Yolo and Yuba.

In 2007, the County determined to issue bonds as a risk reduction strategy. In 2007 the County determined that there was significant risk of MSA validity, tobacco company bankruptcy due to continued individual and class action smoking litigation, cigarette consumption declines, and loss of full payment due to what it termed the Non-Participating Manufacturer Adjustment (the "NPM Adjustment"). The cost of this risk reduction strategy was the interest payment to bondholders.

In order to issue bonds, an Authority was created pursuant to a Joint Exercise of Powers Agreement dated July 18, 2007, by and between the County and the County of San Bernardino. The Authority is governed by a three-person Board of Directors, two directors designated by the Board of Supervisors and one member designated by the Board of Supervisors of San Bernardino County. The Authority subsequently formed the Inland Empire Tobacco Securitization Corporation in order to issue bonds.

Under the MSA and the MOU, the County was receiving annual payments of approximately \$15.9 million per year by 2007. On August 3, 2007, the Inland Empire Tobacco Securitization Authority "IETSA" issued \$294 million in bonds while retaining its rights to the first \$10.0 million of tobacco settlement payments received per year through 2020 and the first \$11.5 million per year from 2021

through 2026 (the “Unsold Tobacco Assets”). After the County’s receipt of the first \$10.0 and \$11.5 million as described above, the remainder of the funds are pledged to repayment on the bonds.

Through the issuance of “tobacco bonds” by the Authority/Corporation, the County’s intent was to transfer a significant portion of its risk of not receiving its annual cash settlement payments, the TSRs, with the exception of the Unsold Tobacco Assets through 2026.

The TSR payments under the MSA have been less than anticipated primarily based on cigarette shipments that have been lower than projected in 2007 by IHS, a consulting firm that was retained by the IESTA and other issuers of tobacco bonds. The IESTA has been advised by their independent auditing firm, Brown Armstrong and the investment banking firm Jefferies LLC that it is highly likely that annual TSR payments will be insufficient to pay bond principal for the Series 2007A bonds which mature on June 1, 2021. Since the Series 2007A Bonds are parity debt with the Series 2007B Bonds which mature on June 1, 2026, those bonds would default as well. Additionally, Jefferies LLC has advised IESTA that the Series 2007A Bonds will be the first in the nation to default. The Series 2007A are current interest bonds. The Series 2007B Bonds are convertible capital appreciation bonds that are now current interest bonds. There are additional series of 2007 Bonds, Series C-1, C-2, D, E, F which are all capital appreciation bonds and subordinate to 2007A and B Bonds.

The proposed 2019 Bonds will have a stated maturity of June 1, 2036 and be subject to turbo redemption (a special mandatory redemption feature that requires principal be retired on an accelerated basis with any excess TRS’s after interest is paid). The County’s right to receive annual tobacco settlement payments terminates in 2026. All TSRs after that will be available to pay interest and turbo redemptions payments. In addition, there will be a cash funded debt service reserve fund established for the 2019 Bonds. In order to achieve interest rates that produce debt service savings, which is required to refund the Series 2007A and B Bonds, the 2019 Bonds will require an investment grade rating in the “A” category. In order obtain that rating, the senior manager of the investment banking team, Jefferies LLC, has advised the County that it will need to provide a Support Agreement as additional security and support solely for the payment of interest as a part of the bond structure. The Support Agreement would be available to pay debt service on the 2019 Bonds in the event that TRSs are insufficient to make scheduled interest payments. The Support Agreement only becomes effective after the debt service reserve fund has been exhausted and is limited to the period starting on June 1, 2022 through June 1, 2026 and in an amount not to exceed \$4,000,000 subject to appropriation. The Series 2019 Bonds are scheduled to be priced in early May and close about two weeks later.

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Stephanie Persi  
Principal Management Analyst

## COUNTY OF RIVERSIDE DEBT ADVISORY COMMITTEE FINANCING FACT SHEET

**A. DESCRIPTION OF TYPE OF ISSUE (i.e., GO, COP, IDB, Single/Multi Family):**

Name of Issue/Series Inland Empire Tobacco Securitization Authority Tobacco Settlement Asset-Backed Bonds Series 2019 Turbo Redemptions Current Interest Bonds (Federally Taxable)

Aggregate Principal Amount \$95,000,000 (estimated)

Type of Sale (check one)

Negotiated Sale  Competitive Sale \_\_\_\_\_ Private Placement \_\_\_\_\_

Estimated Issue Date week of May 22, 2019

Estimated Pricing Date week of May 9, 2019

Final Maturity Date June 1, 2036

Projected Rating of the Securities:

Moody's \_\_\_\_\_ Standard & Poor's "A" category

Fitch \_\_\_\_\_ Non Rated

**B. IDENTIFY THE PROJECT(S) TO BE FINANCED (including location):**

Refunding/defeasance of Inland Empire Tobacco Securitization Authority Tobacco Settlement Asset-Backed Bonds Series 2007A Turbo Current Interest Bonds and 2007B Turbo Convertible Capital Appreciation Bonds.

**C. IDENTIFY PARTICIPATING DEVELOPERS:**

N/A

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\_\_\_\_\_

\_\_\_\_\_

**D. PRINCIPAL PARTIES TO THE TRANSACTION (firm/representative/location/phone):**

Bond Counsel: Orrick, Herrington, Sutcliffe LLP

Trustee of Fiscal Agent and/or

Registrar/Transfer/Paying Agent: Wells Fargo Bank N.A.

Underwriter: Jefferies as senior and Citi and Raymond James as co-managers

Municipal Advisor: Columbia Capital Management LLC

Property Appraiser: None

Credit Enhancement Provider/Form  
of Credit Enhancement: \_\_\_\_\_

**E. INITIATING COUNTY DEPARTMENT AND AMOUNT OF PROCESSING FEES RECEIVED: Executive Office/Cost Recovery estimated at \$70,000**



**F. ADMINISTRATING COUNTY DEPARTMENT & SOURCE OF ADMINISTRATIVE FUNDS:**  
Executive Office/Bond proceeds or IETSA Operating Account

<b>G. ANTICIPATED STRUCTURE OF DEBT: (check if applicable)</b>		<b>AMORTIZATION OF PRINCIPAL/DEBT SERVICE STRUCTURE:</b>
Variable rate interest	_____	1st year of Amortization <u>2020</u>
Fixed rate interest	<u>X</u>	Level debt service (yes/no) <u>no</u>
Serial Bonds	_____	Escalating debt service (yes/no) <u>Yes</u>
Term Bonds	_____	
Capital Appreciation Bonds	_____	Decreasing debt service (yes/no) <u>no</u>
Turbo Redemption Bonds	<u>X</u>	Average annual debt service <u>\$13.2 million</u>

**H. CAPITALIZED COSTS:**

	(\$)	(% Issue)	(# days)
Reserve Fund	<u>\$4.2 million</u>	<u>NA</u>	<u>NA</u>
Capitalized Interest	_____	_____	_____
Contingencies	_____	_____	_____
Other Capitalized Accts.	_____	_____	_____

**I. CREDIT ENHANCEMENT:  
 Type of Credit Enhancement:**

None

**J. SOURCES OF REPAYMENT (exclusive of credit enhancement): (Check if applicable)**

Capitalized Interest	_____
Property Taxes	_____
General Fund	<u>Up to \$4 million annually from June 1 2022 to June 1, 2026</u>
Special Assessments	_____
Tax Increment	_____
Special Taxes	_____
Enterprise Revenue	_____
Mortgage Payments	_____
IDB/pvt Party	_____
Other	_____

Describe any revenue coverage Bonds are secured by annual pledged Tobacco Settlement Revenues and up to \$4 million annually from June 1, 2022 to June 1 2026 subject to appropriation

**K. ATTACHMENTS:**

- Estimated sources and uses of funds, estimated debt service schedule

**IF MORE SPACE IS NEEDED TO CLARIFY AN ANSWER PLEASE ATTACH A SEPARATE SHEET OF PAPER.**

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SOURCES AND USES OF FUNDS

Inland Empire Tobacco Securitization Authority  
Tobacco Settlement Asset-Backed Bonds, Taxable Series 2019A

Sources:

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Bond Proceeds:	
Par Amount	94,590,000.00
Other Sources of Funds:	
Debt Service Reserve Account	16,092,825.00
Debt Service Account	11,777,257.97
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	27,870,082.97
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	122,460,082.97

Uses:

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Refunding Escrow Deposits:	
Cash Deposit	1,232.16
SLGS Purchases	22,898,870.00
Open Market Purchases	91,503,031.59
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	114,403,133.75
Other Fund Deposits:	
Debt Service Reserve Account	4,209,255.00
Debt Service Account	2,280,013.13
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	6,489,268.13
Delivery Date Expenses:	
Cost of Issuance	905,713.00
Underwriter's Discount	657,951.70
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	1,563,664.70
Other Uses of Funds:	
Additional Proceeds	4,016.39
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	122,460,082.97

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BOND DEBT SERVICE

Inland Empire Tobacco Securitization Authority  
Tobacco Settlement Asset-Backed Bonds, Taxable Series 2019A

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2019			175,385.63	175,385.63	
12/01/2019			2,104,627.50	2,104,627.50	
12/31/2019					2,280,013.13
06/01/2020	7,770,000	4.450%	2,104,627.50	9,874,627.50	
12/01/2020			1,931,745.00	1,931,745.00	
12/31/2020					11,806,372.50
06/01/2021	7,410,000	4.450%	1,931,745.00	9,341,745.00	
12/01/2021			1,766,872.50	1,766,872.50	
12/31/2021					11,108,617.50
06/01/2022	7,650,000	4.450%	1,766,872.50	9,416,872.50	
12/01/2022			1,596,660.00	1,596,660.00	
12/31/2022					11,013,532.50
06/01/2023	7,935,000	4.450%	1,596,660.00	9,531,660.00	
12/01/2023			1,420,106.25	1,420,106.25	
12/31/2023					10,951,766.25
06/01/2024	8,260,000	4.450%	1,420,106.25	9,680,106.25	
12/01/2024			1,236,321.25	1,236,321.25	
12/31/2024					10,916,427.50
06/01/2025	8,635,000	4.450%	1,236,321.25	9,871,321.25	
12/01/2025			1,044,192.50	1,044,192.50	
12/31/2025					10,915,513.75
06/01/2026	9,050,000	4.450%	1,044,192.50	10,094,192.50	
12/01/2026			842,830.00	842,830.00	
12/31/2026					10,937,022.50
06/01/2027	21,320,000	4.450%	842,830.00	22,162,830.00	
12/01/2027			368,460.00	368,460.00	
12/31/2027					22,531,290.00
06/01/2028	16,560,000	4.450%	368,460.00	16,928,460.00	
12/31/2028					16,928,460.00
	94,590,000		24,799,015.63	119,389,015.63	119,389,015.63

**SUBMITTAL TO THE DEBT ADVISORY COMMITTEE  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



**FROM:** Purchasing and Fleet Services

**AGENDA DATE:** April 10, 2019

**SUBJECT: Approval of Amendment No. 1 to the Master Lease Agreement with Banc of America Capital to change from an abatement to an appropriation financing structure at no additional cost to the County and approve an increase of \$25 million from \$50 million to \$75 million to the County master lease line of credit**

**RECOMMENDED MOTION:** That the Debt Advisory Committee:

1. Approve Amendment No. 1 to the Master Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp to allow for a change from an abatement structure to an appropriation structure agreement at no additional cost to the County;
2. Approve an issuance of a reimbursement resolution declaring intent to reimburse the Riverside University Health System – Medical Center for expenditures made on the Medical Office Building (MOB) project;
3. Approve an increase to the line of credit with Banc of America Public Capital by \$25 million for a total of \$75 million on an as-needed bases and for the financing of Board approved capital equipment and projects; and,
4. Authorize the Purchasing Agent, in accordance with Ordinance No. 459, based on the availability of fiscal funding, and as approved by County Counsel, to sign amendments that do not change the substantive terms of the agreement.

**.BACKGROUND**

On June 15, 2018 the Debt Advisory Committee approved a lease line of credit with Banc of America Capital Corp for \$25,000,000, with the option for an additional \$25,000,000 after the initial funds are exhausted (total of \$50 million). On July 31, 2018 the item was submitted and approved by the Board of Supervisors (M.O. 3.31). The county's line of credit allows departments to replace capital equipment when the 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 and is only permissible on Board approved items that are funded in the department's budget.

**Requested Change from an abatement to an appropriation master lease agreement:**

The master lease agreement presented and approved by the Board of Supervisors in July 2018 was structured as an abatement lease which is typical of leases for the purchase of capital equipment that requires payment of the equipment upon receipt of the goods. Purchasing is requesting to change the abatement lease structure to an appropriation lease structure which will allow for an initial payment to a vendor upon delivery of equipment and final payment upon full installation and acceptance of the equipment. Banc of America requires the appropriation structure to finance these types of transactions. Riverside University Health System (RUHS) received approval by the Board of Supervisors to use line of credit for financing of equipment up to \$30M for the Medical Office Building (MOB) (12/11/18 M.O. 3.34). The MOB will have various equipment purchases that will require 80% payment upon delivery and 20% payment upon final acceptance of the equipment. For this reason, the department is requesting to modify the master lease agreement to the appropriation structure to accommodate the needs of the MOB purchases. This structure will also be available to any other department who will have a need for a project that requires initial payments and/or milestone payments for projects.

There is no additional cost to the county for the change of the master lease from an abatement structure to an appropriation structure; Banc of America financing rates remain the same.

**Request for approval of the reimbursement resolution:**

The ordering of the MOB equipment has begun in order to meet the project's timeline; therefore, the request also includes approval of a reimbursement resolution to allow for the financing of MOB equipment that may have been recently ordered and received prior to the requested change from an abatement to an appropriation structure.

**SUBJECT: Approval of Amendment No. 1 to the Master Lease Agreement with Banc of America Capital to change from an abatement to an appropriation financing structure at no additional cost to the County and approve an increase of \$25 million from \$50 million to \$75 million to the County master lease line of credit**

**Request for increase to the lease line of credit:**

The county's approved FY18/19 budget included new department financed purchase requests for over \$20 million. As previously stated, the Board of Supervisors recently approved \$30 million in equipment to be finance for the MOB. The county's line of credit will likely be exhausted within the next twelve months. Banc of America has offered to increase the total line of credit by another \$25 million and hold the same lease spread rates. Rates are based on the current Treasury Rates and then a spread (mark-up) is applied. Purchasing and the Executive office recommend securing the additional \$25 million to avoid an increase in financing costs for equipment purchases that may be submitted in the FY19/20 proposed budget. Additionally, having the line of credit available on an as-needed basis maintains cash reserves for emergency expenses, unplanned expenses (such as fire/flood expenses), or allocation to more pressing expenses such as pension liability.

Typical equipment financed through the lease line of credit includes fleet vehicles, fire trucks, information technology equipment, plant operations equipment, medical equipment and other capital equipment. Departments that have used the line of credit in the past include, but not limited to, Fire, Fleet Services (for vehicles for various departments), RCIT, RUHS-Medical Center, and the Transportation Department. The finance period is does not exceed the useful life of the equipment. A lesser term may be requested based on bank requirements and/or department preference.

In order to use the Lease Line of Credit, the equipment must be approved either during the budget process, which is the majority of requests, or in a separate action approved by the Board of Supervisors. The Executive Office (EO) and Purchasing implemented an additional oversight/review procedure which includes the review of financing requests by the Executive Office. This current-real time-review requires departments to submit a Request for Capital Asset Financing Form signed by the department head or designee to the Executive Office for approval, prior to the Purchasing Agent/Assistant Director ultimately approving the financing schedule through Banc of America. In addition, a monthly report of net new and replacement vehicle requests is provided to the EO. The vehicle underutilization report is also provided on a quarterly basis to the EO as well as a report on all current leases through the line of credit.

Included as Attachment A is the original request for the line of credit presented and approved by the Debt Advisory Committee on June 14, 2018.



# Attachment A

**FROM:** Purchasing and Fleet Services

**SUBMITTAL DATE:** May 30, 2018

**SUBJECT: APPROVAL OF THE AGREEMENT FOR THE MULTI-YEAR LEASE LINE OF CREDIT FOR FINANCING PURCHASES OF FIXED ASSETS WITH BANC OF AMERICA PUBLIC CAPITAL CORP.**

**RECOMMENDED MOTION:** That the Debt Advisory Committee:

1. Approve the master lease line of credit with Banc of America Public Capital Corp for \$25,000,000 line of credit, with the option for an additional \$25,000,000 after the initial funds are exhausted, and;
2. Authorize the Purchasing Agent, based on the availability of fiscal funding, to sign amendments that do not change the substantive terms of the agreement.

**BACKGROUND:** To meet the needs of County operations, departments have the need to procure equipment when funds for outright purchases are not available from the current departmental budget; therefore, the need exists to finance capital equipment. In order to provide financing on an "as needed" basis, the Purchasing Department formally solicited an open line of credit via the Request for Proposal (RFP) PUARC-1595 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.

In March 2018, Purchasing issued RFP #PUARC-1595 to establish a new line of credit to meet future County financing requirements. Bids were sent to ten major lending institutions as well as advertised on the Purchasing website, requesting rates for a \$50 million line of credit to be used as required by the County. Bids were received from two financial institutions, Banc of America, and J.P. Morgan Chase Bank, in which the evaluation team consisting of the Auditor Controller, Executive Office and the Treasurer's Office reviewed the responses. As a result, J.P. Morgan Chase Bank was not selected due to interest rates, or other special terms, conditions, or requirements that were less attractive to the County.

Banc of America Public Capital Corp financing rates are based on Average Life Swaps. Average Life Swaps is less volatile than Like Swap Terms. The resulting interest rates offered by Banc of America Public Capital Corp were deemed competitive and is most favorable to the county in this current financial market. Bidders Swap Rate information is provided from the Intercontinental Exchange Inc., week ending February 2, 2018. Federal Reserve cease publication of the swap report.

**SUBJECT: APPROVAL OF THE AGREEMENT FOR THE MULTI-YEAR LEASE LINE OF CREDIT FOR FINANCING PURCHASES OF FIXED ASSETS WITH BANC OF AMERICA PUBLIC CAPITAL CORP.**

**Proposed Award**

**Banc of America Public Capital Corp Proposed Finance Rates**

<b>Term</b>	<b>Index</b>	<b>Interest Rate</b>	<b>Minimum Schedule</b>
<b>24 Months</b>	<b>Two year treasuries</b>	<b>2.2697%</b>	<b>\$100,000</b>
<b>36 Months</b>	<b>Three year treasuries</b>	<b>2.4011%</b>	<b>\$100,000</b>
<b>60 Months</b>	<b>Five year treasuries</b>	<b>2.5698%</b>	<b>\$100,000</b>
<b>84 Months</b>	<b>Seven year treasuries</b>	<b>2.8306%</b>	<b>\$100,000</b>
<b>120 Months</b>	<b>Ten year treasuries</b>	<b>3.0278%</b>	<b>\$100,000</b>

**Date Reference: [www.theice.com/marketdata/reports/180](http://www.theice.com/marketdata/reports/180)**

**Banc of America will index rates to Swap Rate Terms.**

**Competing Banking Rates:**

**J.P. Morgan Chase Bank Proposed Finance Rates**

<b>Term</b>	<b>Index</b>	<b>Interest Rate</b>	<b>Minimum Schedule</b>
<b>24 Months</b>	<b>Two year treasuries</b>	<b>2.5080%</b>	<b>No Minimum</b>
<b>36 Months</b>	<b>Three year treasuries</b>	<b>2.6750%</b>	<b>No Minimum</b>
<b>60 Months</b>	<b>Five year treasuries</b>	<b>2.8990%</b>	<b>No Minimum</b>
<b>84 Months</b>	<b>Seven year treasuries</b>	<b>3.0700%</b>	<b>No Minimum</b>
<b>120 Months</b>	<b>Ten year treasuries</b>	<b>3.2410%</b>	<b>No Minimum</b>

**Date Reference: [www.theice.com/marketdata/reports/180](http://www.theice.com/marketdata/reports/180)**

**J.P. Morgan Chase Bank will index Swaps Rates.**

**PRICE REASONABLENESS:** Banc of America Public Capital Corp offers the most responsive/responsible interest rates.