



## **DEBT ADVISORY COMMITTEE**

Thursday, January 9, 2025

9:00 a.m.

County Executive Office

4080 Lemon Street, 4<sup>th</sup> Floor, Riverside, CA

Raincross Conference Room C

### **AGENDA**

1. Call to Order and Introductions.....Executive Office
2. Approval of Meeting Minutes from September 12, 2024.....Executive Office
3. Review and Recommend Approval - Master Lease Purchase Agreement line of credit for Financing Purchases of Fixed Assets with JPMorgan Chase Bank, N.A.....Executive Office
4. Public Comment
5. Other Business
6. Meeting Adjourned to February 13, 2025

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact Trina Head at [tmhead@rivco.org](mailto:tmhead@rivco.org), or (951) 955-1157. Notification 48 hours prior to the meeting will enable us to make reasonable arrangements to ensure accessibility to the meeting [28 CFR 35 .102.35.104 ADA Title II].

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# DEBT ADVISORY COMMITTEE

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## MEETING MINUTES

September 12, 2024, at 9:00 a.m.

**Members Present:**

Don Kent	County Executive Office (Chair)
Jarvyk Punzalan	Community Facilities District/Assessment District
Tanya Harris	Auditor-Controller
Minh Tran	County Counsel
Darrylenn Prudholme-Brockington	Flood Control and Water Conservation District
Amber Jacobson	Office of Economic Development
Matthew Jennings	Treasurer-Tax Collector

**Members Absent:** None

**Staff and Guests Present:**

Trina Head	Executive Office
Jonathan Gutierrez	Executive Office
Laura Sanchez	Executive Office
Michael Williams	Columbia Capital
Isela Licea	Treasurer-Tax Collector
Giovane Pizano	Treasurer-Tax Collector

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

Chairman Don Kent, called the Debt Advisory Committee (DAC) meeting to order at 9:00 a.m. The members present made self-introductions.

**2. Approval of the DAC Meeting Minutes for May**

**MOTION:** Minh Tran moved to approve the DAC meeting minutes from May 16, 2024.

Jarvyk Punzalan seconded.

All were in favor. The motion passed unanimously.

**3. Review and Recommend Approval - County of Riverside FY 2024-25 Teeter Plan Obligation Notes, 2024 Series A**

Chairman Don Kent provided a brief overview of the submittal. This is an annual financing program that has been in place for 27 years. It is an open-ended program that continuously rolls over previously issued notes secured by unpaid property taxes (since it usually takes more than one year), for collection of delinquent accounts.

Michael Williams, with Columbia Capital, added that last year's note was about \$103 million, with this year expected to be \$123 million. Delinquencies are up a little, but under 2%.

Don added that the yield is anticipated to be in the 2.85% to 3.15% range. The budgeted transfer amount that flows out of this program, for FY 2023-24, was \$20 million. For FY 2024-25, the budgeted amount is \$27.5 million.

**MOTION:** Matthew Jennings moved to approve the County of Riverside FY 2024-25 Teeter Plan Obligation Notes, 2024 Series A.

Amber Jacobson seconded.

All were in favor. The motion passed unanimously.

**4. Public Comment**

None

**5. Other Business**

None

**6. Next Meeting(s)**

The next regularly scheduled Debt Advisory Committee meeting is on Thursday, October 10, 2024.

**7. Adjourn**

With no further business, Chairman Don Kent, adjourned the Debt Advisory Committee meeting at 9:08 a.m.

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



**FROM:** EXECUTIVE OFFICE

**AGENDA DATE:** January 9, 2025

**SUBJECT:** Increased amount of \$100 million to the Master Lease Purchase Agreement line of credit for Financing Purchases of Fixed Assets with JPMorgan Chase Bank, N.A.

**RECOMMENDED MOTION:** Review and recommend approval to the Board of Supervisors the increased amount of \$100 million to the Master Lease Purchase Agreement line of credit for Financing Purchases of Fixed Assets with JPMorgan Chase Bank, N.A.

**BACKGROUND**

In order to meet the operational demands of the County, departments may have the need to procure assets through a financing mechanism when funds for outright purchases are not available. These assets may include, but are not limited to: vehicles, aircraft, heavy equipment, information technology equipment such as computer hardware, software and related peripherals, software subscriptions, licenses or services, communications equipment, monitors/defibrillators, hospital equipment, reimbursable tenant improvements (furniture/facility remodel projects including workstations, office furniture, conference/training rooms or lobby/reception area furniture), and, miscellaneous items (park maintenance equipment, aerial lifts, material handling equipment, building backup generators, etc.).

Master Lease Purchase Agreements (lines of credit, or LOCs) have allowed departments to draw upon when necessary to purchase new equipment or replacements when the useful life has expired. Note: all financed purchases must have prior Board of Supervisors approval, either through the annual budget process, or a separate Form 11 submittal in order to utilize the LOC managed by the Executive Office.

**CURRENT LINE OF CREDIT USAGE AND CAPACITY**

The current \$75 million LOC with JPMorgan has been utilized by: Fire for vehicles and defibrillators; Transportation for heavy-duty vehicles; Sheriff for specialized trucks, radios and various vehicles (including patrol); Fleet for vehicles; DPSS for copiers, printers and office equipment; and Information Technology for networks and network products.

It includes a taxable portion, only to provide flexibility if needed in the event certain circumstances warrant usage that would otherwise not qualify as tax-exempt. Tax-exempt financings have, and will continue to be, the dominant option to obtain the most favorable interest rates for the County. As of December 31, including the aforementioned purchases and deliveries, there was approximately \$10 million remaining on the LOC to accommodate future requests.

The County's remaining LOC balance is projected to be exhausted within the next several months due to approximately \$76 million of Board approved financed requests in the FY 2024-25 Adopted Budget. In addition, global supply chain issues have eased from the prior COVID-19 era and deliveries of assets have normalized as a result. Having ample LOC capacity on an as-needed basis allows for the fluid and timely delivery of assets from vendors to the County and maintains cash (as of December 31, the County's reserves were earning approximately 4.05% in the Treasurer's Pooled Investment Fund) for emergency and unforeseen expenses throughout the year.

The table below lists the remaining asset requests in the current FY 2024-25 Adopted Budget. If all assets were to be delivered within this fiscal year, there would not be enough LOC capacity to fund the purchases.

Department	Asset	Amount
Fire	Fire equipment & vehicles	\$18,289,395
Sheriff & PSEC	Vehicles	3,222,498
Fleet	Vehicles	5,497,062
Transportation	Heavy-duty vehicles	5,227,446
<b>Total</b>		<b>\$32,236,401</b>

### INCREASED LINE OF CREDIT AND UPDATED RATE CALCULATIONS

JPMorgan Chase Bank, N.A. can accommodate an increase in the LOC of \$100 million which would serve the County's needs for the future. There are no fees associated with the additional amount. County departments utilizing the LOC will, however, incur interest charges at the then prevailing rate when an asset purchase is requested to be financed.

Since October 2023 when the Board approved the current Agreement, inflationary pressures have abated from its peak due to prior actions by the U.S. Federal Reserve (FED) *increasing* short-term interest rates during the period of March 2022 – July 2023. Although the FED has since begun to *reduce* short-term interest rates because of declining inflation, longer-term interest rates have not necessarily followed the same pattern across the U.S. Treasury yield curve, which affects the pricing of financing instruments such as LOC's. Likewise, JPMorgan has increased the Fixed Index Spread <sup>(1)</sup> component in some areas and decreased it others. See tables below.

#### Rate Calculation

Lease Term (Years) <sup>(2)</sup>	SWAP Rate <sup>(3)</sup>	x % of Index	+ Fixed Index Spread	= Indicative Tax-Exempt Rate <sup>(4)</sup>
2	4.213%	79%	0.5546%	<b>3.883%</b>
3	4.089%	79%	0.6894%	<b>3.920%</b>
4	4.089%	79%	0.6044%	<b>3.835%</b>
5	4.048%	79%	0.7190%	<b>3.917%</b>
6	4.048%	79%	0.7140%	<b>3.912%</b>
7	4.030%	79%	0.7485%	<b>3.932%</b>
8	4.030%	79%	0.7275%	<b>3.911%</b>
9	4.027%	79%	0.7653%	<b>3.947%</b>
10	4.027%	79%	0.7663%	<b>3.948%</b>

Lease Term (Years) <sup>(2)</sup>	SWAP Rate <sup>(3)</sup>	+ Fixed Index Spread	= Indicative Taxable Rate <sup>(4)</sup>
2	4.213%	0.7440%	<b>4.957%</b>
3	4.089%	0.9140%	<b>5.003%</b>
4	4.089%	0.8060%	<b>4.895%</b>
5	4.048%	0.9510%	<b>4.999%</b>
6	4.048%	0.9450%	<b>4.993%</b>
7	4.030%	0.9880%	<b>5.018%</b>
8	4.030%	0.9620%	<b>4.992%</b>
9	4.027%	1.0100%	<b>5.037%</b>
10	4.027%	1.0110%	<b>5.038%</b>

(1) For tax-exempt rates, the *increase* ranges from 0.02% to 0.10% for lease terms of two to seven years, and the *decrease* ranges from 0.03% to 0.08% for lease terms of eight to ten years. For taxable rates, the *increase* ranges from 0.03% to 0.13% for lease terms of two to seven years, and the *decrease* ranges from 0.03% to 0.10% for lease terms of eight to ten years.

- (2) The finance period is based on a variety of factors including available budget and useful life of the equipment with the lease payments paid directly by the departments.
- (3) Swap rates were as of 8:00 a.m. E.S.T. 12/31/24. Based on the SOFR (Secured Overnight Financing Rate - a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities). Rates subject to change based on financial market conditions.
- (4) Fixed for the life of the term.

**ORIGINAL CONTRACT HISTORY**

A request for proposal was conducted in August 2022 with Purchasing issuing RFP #RivCo-RFP-0000511 to establish a new \$50 million LOC. Requests were sent to 166 lending institution contacts and was advertised on Purchasing’s website. Bids were received from four financial institutions including, JPMorgan Chase Bank, N.A., Banc of America Public Capital Corp, MUFG Union Bank (which has since been acquired by U.S. Bancorp in December 2022), and Signature Bank (which has since shutdown in March 2023, in the aftermath of the Silicon Valley Bank collapse due to rapidly rising interest rates).

The evaluation team consisting of the Executive Office and the Treasurer-Tax Collector’s Office reviewed the responses and recommended the award to JPMorgan which provided the lowest tax-exempt and taxable financing rates for the County. An agreement was approved as Item #3.3 by the Board of Supervisors on October 25, 2022 for \$50 million, and another as an amended Agreement on October 17, 2023, Item #3.4, to increase the line of credit with by an additional \$75 million.

**SUMMARY**

In an effort to purchase remaining assets for FY 2024-25 (as shown in the table on page 2), future assets to be approved for FY 2025-26, and ensure LOC capacity on an as-needed basis, the Executive Office Finance Team is recommending approval of the increased amount of \$100 million to the Master Lease Purchase Agreement with JPMorgan Chase Bank, N.A.



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Don Kent, Chief Finance Officer