



STAFF REPORT

CITY of YORBA LINDA

FINANCE DEPARTMENT

DATE: NOVEMBER 16, 2021

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: DIANNA HONEYWELL, FINANCE DIRECTOR / CITY TREASURER

SUBJECT: BLACK GOLD GOLF COURSE EQUIPMENT PURCHASE AND FINANCING

RECOMMENDATION

It is recommended that City Council adopt Resolution No. 2021-5768, Authorizing the Execution and Delivery of a Lease/Purchase Agreement, Escrow Agreement and Certain Related Documents with Respect to Leasing Certain Equipment.

BACKGROUND

Periodically, the City purchases golf carts and maintenance equipment for the Black Gold Golf Course. When such purchases are necessary, the staff consults with the City's financial advisor, Harrell & Company Advisors (HCA) on the most cost-effective method to finance the equipment acquisition. The methods generally include purchasing directly from the vendor under the vendor's financing terms or selecting a third-party lender to loan the funds to the City pursuant to a typical lease-purchase agreement.

At present, the City needs to purchase multiple vehicles, tractors, mowers and utility carts used for groundskeeping and mowing, and related equipment, as well as a clubhouse transportation vehicle. There are three vendors from which the City will purchase the equipment. The City Council authorized the purchases on October 19, 2021. The total cost of the equipment is \$1,233,654.00. The City Council also authorized staff to obtain financing proposals for the equipment based on the cost-effectiveness of third-party lenders compared to the equipment vendor financing.

DISCUSSION

An RFP inviting lenders to bid for the lease with a 5-year repayment was posted on the City website on October 21. Bids were requested by October 27. The City received 4 bids, summarized as follows:

BLACK GOLD GOLF COURSE EQUIPMENT PURCHASE AND FINANCING

Page | 2

<u>Lender</u>	<u>Interest Rate</u>	<u>Financing Costs*</u>	<u>Total Payments</u>
Zions Bancorporation	1.31%	\$12,812	\$1,292,370
Sterling Bank	1.50%	\$10,312	\$1,296,425
Capital One	1.59%	\$10,312	\$1,299,609
Bank of the West	1.75%	\$10,312	\$1,305,280

* paid from the financing.

Staff is recommending awarding the bid to Zions Bancorporation. The lender's legal department drafted the required lease documents and they have been reviewed by HCA.

The Lease/Purchase Agreement will be executed as of November 19, 2021, and the funds will be held by the lender in escrow pursuant to an Escrow Agreement with Zions Bancorporation (as Escrow Agent) until the various pieces of equipment are delivered. The Resolution approves the form of the Lease/Purchase Agreement and Escrow Agreement, authorizing the City Manager and Finance Director to make minor changes, and to execute all documents required to complete the financing.

FISCAL IMPACT

The equipment and financing costs are \$1.292 million over 5 years, paid from Golf Course revenues. This is slightly less than estimated on October 19. Semi-annual payments are \$129,237, beginning June 1, 2022. The Fiscal Year 2021-22 payment is included in the current year's budget and subsequent annual payments will be included in future years' budgets. Upfront costs to enter into the lease are included in the financing. These costs total \$12,812 and are comprised of \$2,500 for the City Attorney validity opinion required by the lender, \$7,500 for Harrell & Company Advisors to assist the City in the bidding, review and coordination of the financing documents, \$312 for the CDIAC fee and \$2,500 for the Escrow Agent fees.

ALTERNATIVES

Finance equipment with vendor financing which is more costly with financing rates between 3.25% and 4.75%.

ATTACHMENTS

1. Resolution No. 2021-5768
2. Form of Lease Purchase Agreement
3. Form of Escrow Agreement