

The logo consists of the letters 'JH' in a white, serif font, centered within a dark blue square. The background of the slide is a photograph of a modern building with large glass windows, showing a street scene with cars and buildings in the distance.

JH

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# Summary of California Lease Financings

City of Lompoc

January 20, 2026

# Lease-Leaseback Structure

- **Borrowing tool commonly used by California municipalities for long-term capital financings.**
  - **Site Lease:** City initially leases the landfill to Public Property Financing Corporation of California (Corporation) in return for upfront Site Lease payment equal to the principal amount of the financing, which will be used to reimburse Water Fund for a portion of the costs of the project and to pay financing costs.
  - **Lease Agreement:** City simultaneously subleases the landfill property back from Corporation and agrees to make semi-annual lease payments to Corporation in return for use and occupancy of the landfill.
  - **Assignment Agreement.** Corporation assigns its rights to receive lease payments under Lease Agreement to a lender to be selected through an RFP process, in return for lender's agreement to fund upfront Site Lease payment under Site Lease.
- **All financing documents will be presented to City Council for approval.**
- **City covenants to annually budget and appropriate lease payments from solid waste revenues, with general fund serving as backstop.**

# Long History in California

- **Legal Underpinnings for Lease Financings.**
  - Relies on the “lease exception” to the constitutional debt limit as defined in California case law.
  - *The City of Los Angeles v. Offner (1942)* and *Dean v. Kuchel (1950)* established the legal precedent for public agencies to use leases to finance capital projects without the obligation being subject to the constitutional debt limit and requiring voter approval.
  - Los Angeles County issued one of the first lease-backed securities in 1962.
  - Lease financing continued to gain popularity and acceptance in the municipal market, especially after the passage of Proposition 13 in 1978, which limited property tax revenues for cities and counties in California.
  - California Supreme Court ruled explicitly in *Rider v. City of San Diego (1998)* that lease financings were legally valid and enforceable.

# Recent Lease Financings in the County

- **City of Lompoc:**
  - 2023 Master Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp. (solid waste vehicles and equipment)
- **Other Neighboring Local Agencies**
  - **City of Goleta:** 2025 Lease Revenue Bonds (street, traffic circulation and multipurpose pathway improvements)
  - **Guadalupe Union School District:** 2025 Lease/Leaseback financing with EverBank (refinancing)
  - **City of Santa Barbara:** 2024 Lease Revenue Bonds (public safety and park projects)
  - **County of Santa Barbara:** 2024 Lease Revenue Certificates of Participation (public safety, governmental office and park projects)
  - **Santa Maria Bonita School District:** 2023 Certificates of Participation (refinancing)
  - **Santa Maria Bonita School District:** 2023 Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp. (solar energy equipment)
  - **Montecito Union School District:** 2022 Lease/Purchase Agreement with Webster Bank (school facilities)



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