

DEBT SERVICE SCHEDULES

OVERVIEW

This section summarizes the debt service obligations of the City as of the beginning of the 2018-20 budget period (July 1, 2018). These obligations represent the City’s annual installment payments of principal and interest for previous capital improvement plan projects or acquisitions funded through debt financing.

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DEBT LIMITS & POLICY

Section 43605 of the State Government Code provides a legal debt limit of 15 percent of gross assessed valuation. However, this provision was enacted when assessed valuation was established based on 25 percent of market value. Effective with fiscal year 1981-82, taxable property is assessed at 100 percent of market value. Although the State debt limit provision has not been amended since this change, the percentage has been proportionately modified to 3.75 percent for the purpose of this calculation for consistency with the original intent of the debt limit.

Debt Limit

| | |
|--|-------------------------|
| Gross Assessed Valuation | <u>\$ 8,469,167,980</u> |
| Legal Debt Limit – 3.75 Percent of Gross Valuation | <u>\$ 317,593,799</u> |
| General Obligation Bonded Debt | 0 |
| Other Long-Term Debt: | |
| Revenue Bonds and Other Long-Term Debt | 0 |
| Less Deduction Allowed by Law | 0 |
| Total Debt Applicable to Computed Limit | <u>0</u> |
| Legal Debt Margin | <u>\$ 317,593,799</u> |

DEBT POLICY

The City's debt management policy requires full disclosure on all financial reports. The City's practice is to pay for capital projects and capital improvements on a pay-as-you-go basis using current revenues whenever possible. If a project or improvement cannot be financed with current revenues, long-term debt will be considered. The City will consider refinancing outstanding debt after comparing the cost of refinancing with the savings from reduced interest expense. Every effort will be made to limit the amount of general obligation debt. All general obligation debt will only be used for public purposes.

The following are factors the City will take into consideration when incurring debt:

- The City will adhere to its debt covenants.
- The City will periodically review its debt capacity.
- The City will issue bonds only for capital improvements and general obligations. Long-term debt will not be used to fund operating activities.
- The City will publish and distribute an official statement for each bond and rate issue.
- The City will not issue long-term debt with maturity longer than the useful life of the project or item funded.
- If the City utilizes long-term debt financing, staff will ensure that the debt is soundly financed by determining that the cost/benefit ratio of the improvement is positive and the revenue sources used to repay the debt are conservatively projected.
- Where possible and feasible, the City will use special assessment, revenue, or other self-supporting bonds and avoid the use of general obligation debt.
- The City will maintain solid relationships and communications with bond rating agencies and will strive to improve the City's bond rating.

DEBT SERVICE SCHEDULES

OBLIGATIONS

This section summarizes the debt service obligations of the City as of the beginning of the 2018-20 budget period (July 1, 2018). These obligations represent the City's annual installment payments of principal and interest for previous capital improvement plan projects or acquisitions funded through debt financing. The following is a description of each lease or bond obligation existing on July 1, 2018.

2012 A/B Water and Wastewater Revenue Refunding Bonds

- Purpose: To refinance 1993 and 1997 Certificates of Participation (COP)
- Maturity Date: February 1, 2036
- Original Principal Amount: \$ 50,119,493
- July 1, 2018 Principal Outstanding: \$ 50,119,493
- Interest Rate: 4.36% Average
- Funding Source: Water and Wastewater Funds

On June 19, 2012, the City issued \$50,119,493 Water and Wastewater Series 2012A Tax-Exempt and 2012B Taxable Revenue Refunding Bonds. The bonds were issued to fully refund the 1993 Water System Certificates of Participation (COP) and partially refund the 1997 Water and Wastewater COPs. This refunding secured a lower interest rate and resulted in cash flow savings of approximately \$2 million per year. The 1993 COPs were used for a contract entitlement to 16,200 acre-feet of treated water from the State Water Project, plus 1,620 acre-feet of "drought buffer" for a total allocation of 17,820 acre-feet. The drought buffer, however, can only be considered entitlement for the purposes of calculating how much water is available to the City in years with less than 100 percent allocation. This 1993 financing provided for a one-mile transmission line from the State Water Project turnout to the City's existing reservoir site located on Prell Road. The proceeds were used to make certain payments under a Water Supply Agreement to reimburse the Central Coast Water Authority for the cost of acquiring an additional 4,900 acre-feet of State Water Project water entitlement for the benefit of the City. That 4,900 acre-feet amount is part of the City's 16,200 acre-feet entitlement. Additional proceeds from this issue were used for the acquisition and construction of a well manifold system interconnection to the City's existing water well to provide for mineral blending, a disinfection station, construction of two water wells, and a telemetry system to provide operational control and monitoring. The 1997 COPs were issued to assist the City in financing the acquisition and construction of certain water facilities, the refinancing and restructuring of a portion of the 1993 COPs to provide cash flow relief through the year 2005, and to repay loans from various funds of the City to its Water Resources Fund.

1997 Certificates of Participation – Water and Wastewater Fund

- Original Purpose: To refund a portion of the outstanding 1993 COPs, repay internal fund loans, and fund capital projects.
- Final Maturity Date: August 1, 2022
- Original Principal and Accreted Interest as of July 1, 2012 Amount: \$ 19,800,000
- July 1, 2016 Amount Outstanding: \$ 1,055,862
- Interest Rate: 6.42%
- Funding Source: Water and Wastewater Funds

These COPs were issued to assist the City in financing the acquisition and construction of certain water facilities, the refinancing and restructuring of a portion of the 1993 COPs to provide cash flow relief through year 2005, and to repay loans from various funds of the City to its Water Resources Fund.

The 1997 COPs have a senior lien on the revenues versus the 2012 Refunding Bonds.

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OBLIGATIONS

2013 Equipment Lease Financing – Mobile Equipment Internal Service Fund

- Original Purpose: To issue tax-exempt lease financing to be used for the acquisition of vehicles and equipment for the Mobile Equipment Fund.
- Final Maturity Date: March, 2025
- Original Principal: \$ 4,905,000
- July 1, 2016 Amount Outstanding: \$ 2,513,734
- Interest Rate: 2.14% to 2.68%
- Funding Source: Mobile Equipment Fund

On March 22, 2013, the City entered into three lease agreements for the acquisition of vehicles and equipment for the Mobile Equipment Fund. The three leases have terms of seven, ten and 12 years with interest rates ranging from 2.14 to 2.68 percent. Payments are due semi-annually under the terms of the lease agreements.

2017 Equipment Lease Financing – General Fund

- Original Purpose: To issue tax-exempt lease financing to be used for the acquisition of a computer aided dispatch and records management system (CAD RMS) for public safety departments.
- Final Maturity Date: January, 2027
- Original Principal: \$ 2,280,000
- July 1, 2018 Amount Outstanding: \$ 2,082,248
- Interest Rate: 3.10%
- Funding Source: General Fund

On January 11, 2017, the City entered into a lease agreement for the acquisition of a computer aided dispatch and records management system (CAD RMS) for public safety. The lease has a term of ten years with an interest rate of 3.10 percent. Payments are due semi-annually under the terms of the lease agreement.

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ANNUAL PAYMENTS BY SOURCE

| | 1997 | 2012A/ 2012B | 2013 | 2017 | |
|----------------|---|---|--|---|---------------|
| | 1997 Water & Wastewater Certificates of Participation (Unrefunded) | Water & Wastewater Refunding Revenue Bonds | Mobile Equipment - Fleet Services Capital Lease | General Fund Capital Equipment Lease | |
| Fiscal Year | Water Resources | Water Resources | Fleet Fund | General Fund | Total |
| 2019 | | 4,632,713 | 686,327 | 266,912 | 5,585,952 |
| 2020 | | 4,632,713 | 686,327 | 266,912 | 5,585,952 |
| 2021 | | 4,627,713 | 148,833 | 266,912 | 5,043,458 |
| 2022 | 3,075,000 | 1,552,713 | 148,833 | 266,912 | 5,043,458 |
| 2023 | 3,075,000 | 1,551,063 | 148,833 | 266,912 | 5,041,808 |
| 2024 | | 4,629,263 | 83,450 | 266,912 | 4,979,625 |
| 2025 | | 4,629,263 | 83,450 | 266,912 | 4,979,625 |
| 2026 | | 4,629,263 | | 266,912 | 4,896,175 |
| 2027 | | 4,628,013 | | 266,912 | 4,894,925 |
| 2028 | | 4,627,263 | | | 4,627,263 |
| 2029 | | 4,630,700 | | | 4,630,700 |
| 2030 | | 4,630,500 | | | 4,630,700 |
| 2031 | | 4,629,700 | | | 4,630,500 |
| 2032 | | 4,628,100 | | | 4,629,700 |
| 2033 | | 4,630,500 | | | 4,628,100 |
| 2034 | | 4,630,500 | | | 4,630,500 |
| 2035 | | 4,630,500 | | | 4,630,500 |
| 2036 | | 4,630,500 | | | 4,630,500 |
| | \$ 6,150,000 | \$ 77,180,976 | \$ 1,986,053 | \$ 2,402,208 | \$ 87,719,437 |