

## REPORT TO THE CITY COUNCIL AND SUCCESSOR AGENCY

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**DATE:** December 3, 2013

**TITLE:** Debt Service for the City and the Successor Agency to the City's Redevelopment Agency

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### RECOMMENDATION

Receive and file.

### DISCUSSION

The attached Long-Term Debt and Scheduled Debt Service Payments schedule (Exhibit 1) shows the balance of the City's and Successor Agency's ("SA") Long-Term Debt as of 6/30/13. The attached schedule also shows the debt service payments for FY 2013-14 and FY 2014-15.

#### City Long-Term Debt

Total City long-term debt, excluding retirement obligations & compensated absences, was \$19,955,000 as of 6/30/13. The City's other long-term debt includes retirement obligations and compensated absences. The City is waiting for PERS to publish their actuarial report. It is expected to be published in December. The balance of compensated absences, as of 6/30/13, was \$977,583.

The Certificates of Participation ("COPs") issued in 2004 are payable from lease payments made by the City to the City of DHS Financing Corporation whereby the City pays lease payments equal to the amount of principal and interest due for the repayment of the Certificates.

The COPs issued in 2012, otherwise known as T.R.I.P., are payable to the California Statewide Communities Development Authority whereby the City pays lease payments equal to the amount of principal and interest due. These payments are solely payable from the (1) Gas Tax revenues and (2) the Measure A receipts.

The Judgment Obligation bonds were issued in 2004 to provide payment for the City's obligation according to the Silver Sage Judgment. These bonds are paid from any source of available funds.

Bonds issued to pay for improvements in Community Facilities Districts ("CFDs"), or Assessment Districts, are repaid from assessments made on residents of the respective CFD or assessment district.

#### Successor Agency (Former RDA) Long-Term Debt

Total SA long-term debt, as of 6-30-13, was \$22,943,980.

The SA's Tax Allocation bonds are payable from tax increment that is received, from the County, by the SA.

The following are some definitions that may be helpful:

Certificates of Participation (“COPs”): COPs are tax-exempt bonds, usually secured with revenue from an equipment or facility lease.

Compensated Absences: Annual Leave, Administrative Leave and Compensatory Time is accrued on the City’s books when the benefits are earned and it is probable that the employee will be compensated through paid time off, or some other means, such as payment upon termination of employment.

Compensatory Time: This time is earned when hourly employees work overtime and choose to “bank” their overtime, rather than being paid on their next paycheck. This banked time can be used for paid time off.

Debt Reserve: A reserve established to service interest and principal payments on long-term debt; also called a Debt Service Fund. The City, and the Successor Agency, currently have twelve-month reserves established for all Tax Allocation Bonds, Certificates of Participation, Judgment Obligation Bonds, and the Community Facilities District Bonds.

Debt Service: Payment of principal and interest due on an existing debt.

Long-Term Debt: Amount owed for a period exceeding 12 months from the date of the financial statements. It can be in the form of a bank loan, certificates of participation, tax allocation bonds, judgment obligation bonds & other borrowings.

**FISCAL IMPACT**

City & Successor Agency payments that were due 9/1/13 and 12/1/13 have already been paid.

The City has expected debt service payments of \$1,761,007 in FY 13/14 and \$1,429,003 in FY 14/15. The Successor Agency has expected debt service payments of \$4,237,661 in FY 13/14 and \$4,087,044 in FY 14/15.

**EXHIBIT(S)**

1. Long-Term Debt and Scheduled Debt Service Payments