



CITY OF SANTA MARIA

Section G
Debt Service
Schedules

DEBT SERVICE SCHEDULES

OVERVIEW

This section summarizes the debt service obligations of the City as of the beginning of the 2012-14 budget period (July 1, 2012). 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 SERVICE SCHEDULES

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	\$ 6,892,207,437
Legal Debt Limit – 3.75 Percent of Gross Valuation	\$ 258,457,779
General Obligation Bonded Debt	\$ 7,772,088
Other Long-Term Debt:	
Revenue Bonds and Other Long-Term Debt	0
Less Deduction Allowed by Law	0
Total Debt Applicable to Computed Limit	\$ 7,772,088
Legal Debt Margin	\$ 250,685,691

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 2012-14 budget period (July 1, 2012). 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, 2012.

2003 Redevelopment Agency Refunding Lease Revenue Bonds

- Purpose: To refinance the debt used to provide parking structures in the downtown area of Santa Maria.
- Maturity Date: June 1, 2016
- Original Principal Amount: \$ 23,460,000
- July 1, 2012 Principal Outstanding: \$ 7,000,000
- Interest Rate: 4.013%
- Funding Source: Successor Agency to the Redevelopment Agency of the City of Santa Maria

The original financing provided parking facilities for a regional shopping center and office complex. The original retail/commercial development covered over nine City blocks and consisted of a 445,000 square foot regional shopping center and the Santa Maria Town Center Mall parking facility, which is a three-level, 1,863 parking space garage encompassing approximately 650,000 square feet. Additional retail space (including two major department stores) and a parking garage were constructed after the completion of the original development, which included 1,082 parking spaces and approximately 315,600 square feet of retail space. The two developments are connected by an enclosed pedestrian bridge.

2012 A/B Water and Wastewater Revenue Refunding Bonds (Preliminary, Subject to Change)

- Purpose: To refinance 1993 and 1997 Certificates of Participation
- Maturity Date: February 1, 2036
- Original Principal Amount: \$ 51,000,000 Estimated
- July 1, 2012 Principal Outstanding: \$ 51,000,000 Estimated
- Interest Rate: 5% Approximate
- Funding Source: Water and Wastewater Funds

Currently, (as of the date this budget document was produced) the City is issuing Water and Wastewater Refunding Bonds, Series 2012A Tax-Exempt and 2012B Taxable bonds. The bonds are being issued to fully refund the 1993 Water System Certificates of Participation (COP) and partially refund the 1997 Water and Wastewater COPs. The anticipated bond sale date is set for June 2012. 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 turn-out 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-foot amount is part of the City's 16,200 acre-foot 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 COP's 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

DEBT SERVICE SCHEDULES

OBLIGATIONS

Certificates of Participation 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 (Estimated to remain outstanding after the 2012 Refunding)

- Original Purpose: To refund a portion of the outstanding 1993 Certificates of Participation, 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: \$ 15,100,000 Estimated
- Amount Tax Exempt: \$ 12,030,000 Estimated
- Amount Taxable: \$ 3,070,000 Estimated
- Interest Rate: 6.42%
- Funding Source: Water and Wastewater Funds

These certificates 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 City is in the process of refunding these bonds to secure a lower interest rate and extend the payment terms resulting in cash flow savings. As of the date of this budget, the refunding bond issue has not been completed.

Upon issuance of the 2012 Refunding Bonds, the remaining unrefunded 1997 COPs will have a senior lien on the revenues versus the 2012 Refunding Bonds.

DEBT SERVICE SCHEDULES

ANNUAL PAYMENTS BY SOURCE

Fiscal Year	2003		1997		2012A/2012B	
	Redevelopment Agency Refunding Lease Revenue Bonds		Water and Wastewater COPs (Unrefunded)		Water and Wastewater Refunding Revenue Bonds	
	Successor Agency	General Fund	Water Resources	Water Resources (Estimated)	Total	
2013	\$ 1,318,930	\$ 1,361,650	\$ 1,990,000	\$ 1,440,000	\$ 6,110,580	
2014	1,318,930	1,365,400	3,075,000	1,825,000	7,584,330	
2015	1,202,080		3,075,000	1,925,000	6,202,080	
2016	1,205,110		3,075,000	1,925,000	6,205,110	
2017			3,075,000	1,925,000	5,000,000	
2018				5,000,000	5,000,000	
2019				5,000,000	5,000,000	
2020				5,000,000	5,000,000	
2021				5,000,000	5,000,000	
2022			3,075,000	1,925,000	5,000,000	
2023			3,075,000	1,925,000	5,000,000	
2024				5,000,000	5,000,000	
2025				5,000,000	5,000,000	
2026				5,000,000	5,000,000	
2027				5,000,000	5,000,000	
2028				5,000,000	5,000,000	
2029				5,000,000	5,000,000	
2030				5,000,000	5,000,000	
2031				5,000,000	5,000,000	
2032				5,000,000	5,000,000	
2033				5,000,000	5,000,000	
2034				5,000,000	5,000,000	
2035				5,000,000	5,000,000	
2036				5,000,000	5,000,000	
	<u>\$ 5,045,050</u>	<u>\$ 2,727,050</u>	<u>\$ 20,440,000</u>	<u>\$ 97,890,000</u>	<u>\$ 126,102,100</u>	

The Successor Agency to the Redevelopment Agency of the City of Santa Maria is responsible for the 2003 Redevelopment Agency Refunding Lease Revenue Bonds debt service payments using monies received from the Redevelopment Property Tax Trust Fund held by the County Auditor/Controller. The City's General Fund is responsible for amounts not paid by the Successor Agency.

The City is in the process of refinancing the entire 1993 Water and Wastewater Certificates of Participation (COP's) and partially refund the 1997 Water and Wastewater COP's with the 2012A and 2012B Revenue Refunding issue. The above debt service schedule for the Water Resources Fund contains estimated amounts. The sale of the bonds is expected to occur early-June at which time the debt service schedule will be finalized.

DEBT SERVICE SCHEDULES

DEPARTMENT: Administrative Services PROGRAM: Successor Agency to the RDA
 DIVISION: Successor Agency to the RDA of the City FUND: Redevelopment Obligation Retirement Fund

	Actual 2010-11	Adopted 2011-12	Year-End Estimated 2011-12	Proposed 2012-13	Proposed 2013-14
<u>PROGRAM EXPENSES/REVENUES</u>					
Salaries & Benefits	\$	\$	\$	\$	\$
Services & Supplies					
Total Operating Cost					
Capital					
Debt Service	1,285,100	1,292,000	1,306,950	1,318,930	1,318,930
Payment to State & County	117,600				
Total Cost	<u>\$ 1,402,700</u>	<u>\$ 1,292,000</u>	<u>\$ 1,306,950</u>	<u>\$ 1,318,930</u>	<u>\$ 1,318,930</u>
Department Revenues					
Use of Money	\$ 128,620	\$ 33,320	\$ 118,930	\$ 118,930	\$ 118,930
Property tax/receipts from County	1,274,080	1,258,680	1,188,020	1,200,000	1,200,000
Total Revenues	<u>\$ 1,402,700</u>	<u>\$ 1,292,000</u>	<u>\$ 1,306,950</u>	<u>\$ 1,318,930</u>	<u>\$ 1,318,930</u>
<u>SUMMARY OF SERVICE PROGRAMS</u>					
Total Revenues	<u>\$ 1,402,700</u>	<u>\$ 1,292,000</u>	<u>\$ 1,306,950</u>	<u>\$ 1,318,930</u>	<u>\$ 1,318,930</u>
Total Service Programs	<u>\$ 1,402,700</u>	<u>\$ 1,292,000</u>	<u>\$ 1,306,950</u>	<u>\$ 1,318,930</u>	<u>\$ 1,318,930</u>

PROGRAM DESCRIPTION

Under the ABX1 26 legislation, the Redevelopment Agency (RDA) was dissolved on February 1, 2012 and replaced by the Successor Agency to the Redevelopment Agency of the City of Santa Maria (Successor Agency). As of this writing, it is anticipated that the Santa Barbara County Auditor/Controller will release the property tax receipts (previously called "tax increment") to the City in May and December for payment on the Lease Revenue Bonds.

Because the dissolved agency's debt service is in excess of the revenue received by this budget unit, monies are paid directly from property tax receipts with the difference paid by the General Fund out of the Department of Administrative Services' budget unit. The Successor Agency is anticipating the receipt of property tax in payment of the debt service as an enforceable obligation. The receipts will come from the County Redevelopment Property Tax Trust Fund established upon dissolution of the RDA.

NOTEWORTHY BUDGET HIGHLIGHTS

- The total annual Debt Service obligation on the RDA 2003 Refunding Lease Revenue Bonds is approximately \$2.7 million. The prior receipt of tax increment is now deposited into the County Redevelopment Property Tax Trust Fund (RPTTF). Every six months, the County Auditor/Controller releases the property tax receipts in the RPTTF to the successor agencies for payment of enforceable obligations. The City anticipates receiving \$1.2 million from the RPTTF in 2012-13 (as indicated above). However, this amount, plus the other revenue generated in the fund, is not sufficient to cover the \$2.7 million debt obligation, so the remainder of the debt service obligation (\$1.5 million) is financed by the City's General Fund, and, consistent with generally accepted accounting practices, transferred from the General Fund into the Redevelopment Obligation Retirement Fund.