

DEBT SERVICE

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DEBT SERVICE

OVERALL DEBT OBLIGATIONS SUMMARY

Included in this Debt Obligation Summary is information on external and internal debt obligations from Fiscal Year (FY) 2013-14 through the Fiscal Year 2016-17 Budget.

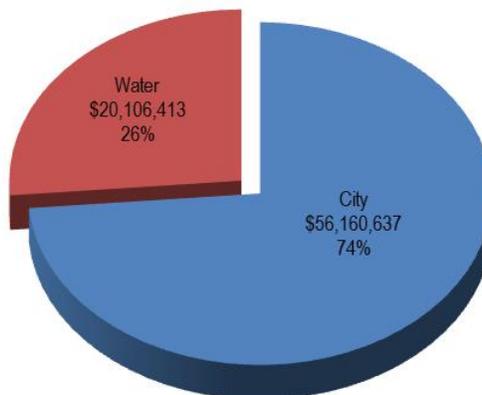
Summary

- The 2004 Variable Rate Revenue Bonds (Street Bonds) were paid in full on October 1, 2015, eight years early and saving the City over \$9 million dollars compared to the original 1993 A&B debt service schedules.
- Due to the depletion of cash reserves within the 2013 Civic Plaza Refunding Lease Revenue Bond Fund, additional contributions are required from the Development Impact Fee (DIF) – Public Services Fund (87.25%) and General Fund (12.75%). Revenues within the DIF – Public Services Fund are insufficient to contribute the FY 2016-17 contribution amount of \$688,533 due primarily to limited residential development, and to a lesser extent to the extension of the “Development Impact Fee Reduction Pilot Program.” This necessitates an increase in the General Fund loan to DIF Public Services, for a total General Fund loan of \$1,520,637 through FY 2016-17. Additional increases in the General Fund loan to DIF Public Services will be needed in future years until revenues are sufficient to cover DIF’s percentage of the annual 2013 Civic Plaza debt service requirements, equating to 607 to 883 single family residential permits per year.
- The letter of credit for the Water District 1998 A&B Variable Rate Lease Revenue Bonds has been extended to November 2018.
- Although debt service payments are not currently scheduled for FY 2016-17, two new debts have been added to the Debt Service Section to reflect new pending obligations:
 - City – Rancho Road Interchange Loan from San Bernardino Associated Governments (SANBAG) related to the construction and financing of the Rancho Road Interchange. Final costs are being calculated by SANBAG, but the City’s share is estimated to be approximately \$17,500,000 at this time.
 - Water District – 2016 State Revolving Fund (SRF) Loan to finance the construction of a reclaimed water pipeline distribution system. Of the \$14,673,750 requested, the current agreement proposes a \$4,727,337 Grant, with the remaining \$9,946,413 in the form of a loan at a 1% interest rate. This financing agreement is being finalized by the State and payment of principal and interest will begin one year after completion of construction.
- As of February 1, 2012, redevelopment agencies were dissolved by the State of California and funding for the former redevelopment agency obligations will be provided by the County of San Bernardino, as outlined in ABx26, and paid by the Successor Agency. These debt issues are now obligations of the Successor Agency to the Former Community Redevelopment Agency and are no longer presented in the Debt Service Section of the City’s Budget.

DEBT OBLIGATION PRINCIPAL OUTSTANDING SUMMARY

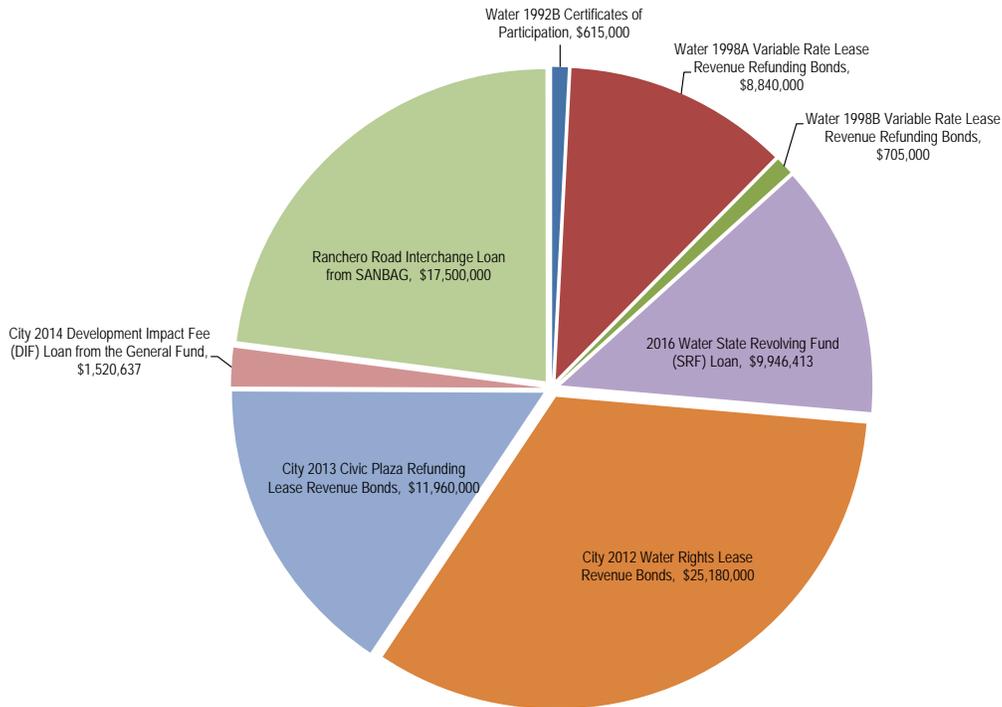
The following charts and schedules summarize all current City debt obligations, with the original principal amount and the principal outstanding as of July 1, 2016:

Estimated Principal Outstanding July 1, 2016



DEBT SERVICE

DEBT OBLIGATION PRINCIPAL OUTSTANDING SUMMARY (Continued)



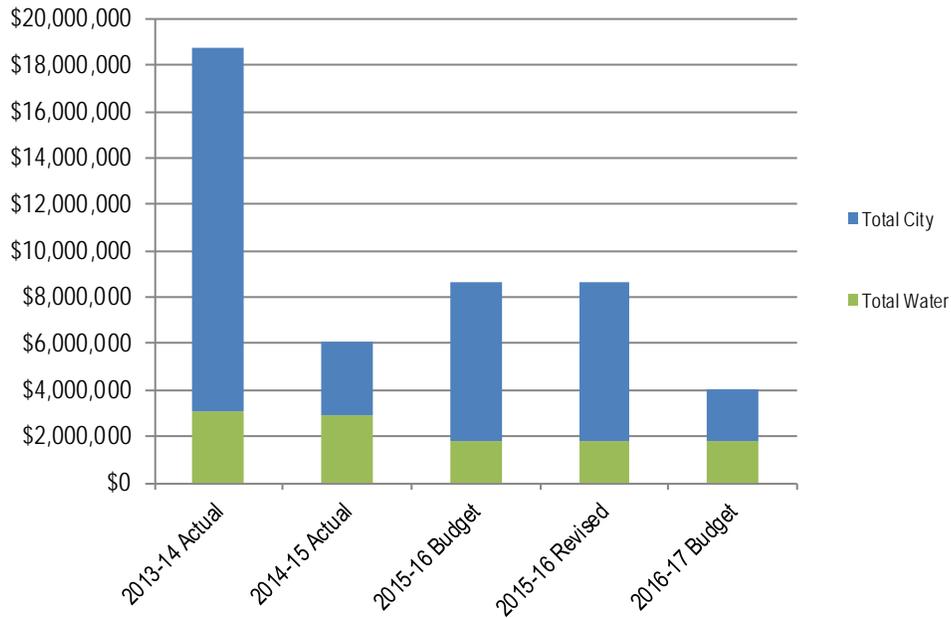
Estimated Principal Outstanding July 1, 2016

| <u>Debt Service Principal Obligations</u> | <u>Original Principal Amount</u> | <u>Estimated Principal Outstanding July 1, 2016</u> | <u>Maturity Date</u> |
|--|----------------------------------|---|----------------------|
| <u>City of Hesperia</u> | | | |
| Series 2004 Variable Rate Demand Revenue Bonds | \$12,525,000 | \$ 0 | *October 1, 2015 |
| 2012 Water Rights Lease Revenue Bonds | 26,735,000 | 25,180,000 | October 1, 2042 |
| 2013 Civic Plaza Refunding Lease Revenue Bonds | 12,445,000 | 11,960,000 | October 1, 2035 |
| 2014 Development Impact Fee (DIF) Loan from the General Fund | 65,840 | 1,520,637 | Undetermined |
| Ranchero Road Interchange Loan from SANBAG | <u>Est. 17,500,000</u> | <u>Est. 17,500,000</u> | Est. Dec. 2026 |
| Total City of Hesperia Principal Debt | \$69,270,840 | \$56,160,637 | |
| <u>Hesperia Water District</u> | | | |
| 1992B Certificates of Participation | \$ 1,405,000 | \$ 615,000 | June 1, 2022 |
| 1998A Variable Rate Lease Revenue Refunding Bonds | 18,040,000 | 8,840,000 | June 1, 2026 |
| 1998B Variable Rate Lease Revenue Refunding Bonds | 2,070,000 | 705,000 | June 1, 2022 |
| 2016 State Revolving Fund (SRF) Loan | <u>Est. 9,946,413</u> | <u>Est. 9,946,413</u> | Undetermined |
| Total Hesperia Water District Principal Debt | \$31,461,413 | \$20,106,413 | |
| Total Principal Debt Outstanding | \$100,732,253 | \$76,267,050 | |

*Retired during FY 2015-16, eight years before the original scheduled maturity of October 1, 2023.

DEBT SERVICE

2016-17 BUDGET TOTAL PRINCIPAL AND INTEREST DEBT SERVICE PAYMENTS



| | 2013-14 Actual | 2014-15 Actual | 2015-16 Budget | 2015-16 Revised | 2016-17 Budget |
|------------------------------------|---------------------|--------------------|--------------------|--------------------|--------------------|
| <u>City of Hesperia</u> | | | | | |
| Principal | \$13,905,000 | \$1,605,000 | \$5,385,000 | \$5,385,000 | \$830,000 |
| Interest and Admin Fees | *1,737,464 | 1,530,685 | 1,489,880 | 1,457,693 | 1,421,937 |
| Total City | \$15,642,464 | \$3,135,685 | \$6,874,880 | \$6,842,693 | \$2,251,937 |
| <u>Hesperia Water District</u> | | | | | |
| Principal | \$2,055,000 | \$2,090,000 | \$930,000 | \$930,000 | \$965,000 |
| Interest and Admin Fees | 1,005,627 | 857,767 | 882,810 | 844,000 | 798,470 |
| Total Water | \$3,060,627 | \$2,947,767 | \$1,812,810 | \$1,774,000 | \$1,763,470 |
| <u>Total All Funds</u> | | | | | |
| Principal | \$15,960,000 | \$3,695,000 | \$6,315,000 | \$6,315,000 | \$1,795,000 |
| Interest and Admin Fees | 2,743,091 | 2,388,452 | 2,372,690 | 2,301,693 | 2,220,407 |
| Total Debt Service Payments | \$18,703,091 | \$6,083,452 | \$8,687,690 | \$8,616,693 | \$4,015,407 |

*Note - Includes bond issuance costs as well as discount on bond issue.

DEBT SERVICE

ANNUAL DEBT SERVICE PAYMENTS BY OBLIGATION AND FUND

In Chronological Order

| | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2015-16</u> | <u>2016-17</u> |
|--|---------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>Actual</u> | <u>Actual</u> | <u>Budget</u> | <u>Revised</u> | <u>Budget</u> |
| <u>City of Hesperia</u> | | | | | |
| <u>1996 HUD Section 108 Loan</u> | | | | | |
| Principal | \$150,000 | \$150,000 | \$0 | \$0 | \$0 |
| Interest | 870 | 165 | 0 | 0 | 0 |
| Admin/Other costs | 400 | 100 | 0 | 0 | 0 |
| Total | <u>\$151,270</u> | <u>\$150,265</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>Series 2004 Variable Rate Demand</u> | | | | | |
| <u>Revenue Bonds</u> | | | | | |
| Principal | \$620,000 | \$645,000 | \$4,590,000 | \$4,590,000 | \$0 |
| Interest | 9,010 | 4,990 | 11,475 | 1,525 | 0 |
| Admin/Other Costs | 194,333 | 86,706 | 45,000 | 25,358 | 0 |
| Total | <u>\$823,343</u> | <u>\$736,696</u> | <u>\$4,646,475</u> | <u>\$4,616,883</u> | <u>\$0</u> |
| <u>2005 Variable Rate Demand Certificates</u> | | | | | |
| <u>of Participation</u> | | | | | |
| Principal | \$12,700,000 | \$0 | \$0 | \$0 | \$0 |
| Interest | 8,362 | 0 | 0 | 0 | 0 |
| Admin/Other Costs | 78,604 | 0 | 0 | 0 | 0 |
| Total | <u>\$12,786,966</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>2012 Water Rights Lease Revenue Bonds</u> | | | | | |
| Principal | \$435,000 | \$555,000 | \$565,000 | \$565,000 | \$580,000 |
| Interest | 900,475 | 890,575 | 876,550 | 876,550 | 859,375 |
| Admin/Other Costs | 4,181 | 2,190 | 8,000 | 5,725 | 7,000 |
| Total | <u>\$1,339,656</u> | <u>\$1,447,765</u> | <u>\$1,449,550</u> | <u>\$1,447,275</u> | <u>\$1,446,375</u> |
| <u>2013 Civic Plaza Refunding Lease</u> | | | | | |
| <u>Revenue Bonds</u> | | | | | |
| Principal | \$0 | \$255,000 | \$230,000 | \$230,000 | \$250,000 |
| Interest | 233,624 | 543,314 | 540,600 | 540,600 | 532,150 |
| Admin/Other Costs | *307,605 | 2,445 | 6,000 | 5,725 | 7,000 |
| Total | <u>\$541,229</u> | <u>\$800,759</u> | <u>\$776,600</u> | <u>\$776,325</u> | <u>\$789,150</u> |
| <u>2014 Development Impact Fee (DIF)</u> | | | | | |
| <u>Loan From General Fund</u> | | | | | |
| Principal | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest | 0 | 200 | 2,255 | 2,210 | 16,412 |
| Admin/Other Costs | 0 | 0 | 0 | 0 | 0 |
| Total | <u>\$0</u> | <u>\$200</u> | <u>\$2,255</u> | <u>\$2,210</u> | <u>\$16,412</u> |
| <u>Ranchero Road Interchange Loan from</u> | | | | | |
| <u>SANBAG</u> | | | | | |
| Principal | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest | 0 | 0 | 0 | 0 | 0 |
| Admin/Other Costs | 0 | 0 | 0 | 0 | 0 |
| Total | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>Total City of Hesperia Funds</u> | | | | | |
| Principal | \$13,905,000 | \$1,605,000 | \$5,385,000 | \$5,385,000 | \$830,000 |
| Interest | 1,152,341 | 1,439,244 | 1,430,880 | 1,420,885 | 1,407,937 |
| Admin/Other Costs | *585,123 | 91,441 | 59,000 | 36,808 | 14,000 |
| Total | <u>\$15,642,464</u> | <u>\$3,135,685</u> | <u>\$6,874,880</u> | <u>\$6,842,693</u> | <u>\$2,251,937</u> |

*Note - Includes bond issuance costs as well as discount on bond issue.

DEBT SERVICE

ANNUAL DEBT SERVICE PAYMENTS BY OBLIGATION AND FUND (Continued)

In Chronological Order

| | 2013-14 | 2014-15 | 2015-16 | 2015-16 | 2016-17 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Actual | Actual | Budget | Revised | Budget |
| <u>Hesperia Water District</u> | | | | | |
| <u>1992 B Certificates of Participation</u> | | | | | |
| Principal | \$65,000 | \$70,000 | \$75,000 | \$75,000 | \$80,000 |
| Interest | 74,250 | 68,400 | 62,100 | 62,100 | 55,350 |
| Admin/Other Costs | 0 | 4,314 | 5,000 | 4,400 | 5,000 |
| Total | <u>\$139,250</u> | <u>\$142,714</u> | <u>\$142,100</u> | <u>\$141,500</u> | <u>\$140,350</u> |
| <u>1998 A Variable Rate Lease Revenue</u> | | | | | |
| Refunding Bonds | | | | | |
| Principal | \$695,000 | \$720,000 | \$750,000 | \$750,000 | \$780,000 |
| Interest | 603,521 | 597,611 | 605,000 | 600,000 | 565,070 |
| Admin/Other Costs | 295,340 | 171,957 | 188,427 | 164,000 | 154,000 |
| Total | <u>\$1,593,861</u> | <u>\$1,489,568</u> | <u>\$1,543,427</u> | <u>\$1,514,000</u> | <u>\$1,499,070</u> |
| <u>1998 B Variable Rate Lease Revenue</u> | | | | | |
| Refunding Bonds | | | | | |
| Principal | \$95,000 | \$100,000 | \$105,000 | \$105,000 | \$105,000 |
| Interest | 1,678 | 938 | 8,100 | 1,000 | 7,050 |
| Admin/Other Costs | 26,053 | 14,547 | 14,183 | 12,500 | 12,000 |
| Total | <u>\$122,731</u> | <u>\$115,485</u> | <u>\$127,283</u> | <u>\$118,500</u> | <u>\$124,050</u> |
| <u>2010 Loan from Redevelopment Low and Moderate Income Housing Fund</u> | | | | | |
| Principal | \$1,200,000 | \$1,200,000 | \$0 | \$0 | \$0 |
| Interest | 4,785 | 0 | 0 | 0 | 0 |
| Admin/Other Costs | 0 | 0 | 0 | 0 | 0 |
| Total | <u>\$1,204,785</u> | <u>\$1,200,000</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>2016 State Revolving Fund (SRF) Loan</u> | | | | | |
| Principal | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest | 0 | 0 | 0 | 0 | 0 |
| Admin/Other Costs | 0 | 0 | 0 | 0 | 0 |
| Total | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>Total Hesperia Water District</u> | | | | | |
| Principal | \$2,055,000 | \$2,090,000 | \$930,000 | \$930,000 | \$965,000 |
| Interest | 684,234 | 666,949 | 675,200 | 663,100 | 627,470 |
| Admin/Other Costs | 321,393 | 190,818 | 207,610 | 180,900 | 171,000 |
| Total | <u>\$ 3,060,627</u> | <u>\$ 2,947,767</u> | <u>\$ 1,812,810</u> | <u>\$ 1,774,000</u> | <u>\$ 1,763,470</u> |
| Note: Budgetary Basis Adjustment - For budgetary purposes, the Water District principal payments are reflected in the actual columns, whereas the CAFR reflects a reduction in the liability. Also, the CAFR shows the interest accrual, as well as the amortization of discounts and deferred charges, whereas the budget does not. | | | | | |
| <u>Total All Funds</u> | | | | | |
| Principal | \$15,960,000 | \$3,695,000 | \$6,315,000 | \$6,315,000 | \$1,795,000 |
| Interest | 1,836,575 | 2,106,193 | 2,106,080 | 2,083,985 | 2,035,407 |
| Admin/Other Costs | 906,516 | 282,259 | 266,610 | 217,708 | 185,000 |
| Total | <u>\$18,703,091</u> | <u>\$6,083,452</u> | <u>\$8,687,690</u> | <u>\$8,616,693</u> | <u>\$4,015,407</u> |

DEBT SERVICE

INDIVIDUAL DEBT OBLIGATION SUMMARIES

This section summarizes the individual debt service obligations of the City included in the Fiscal Year 2016-17 Budget. These obligations represent the City's annual installment payments of principal, interest, and administrative/other costs for debt financing. Each debt obligation is summarized with a description, relevant financial information, and a brief analysis and recommendation. Please note internal debt obligations, i.e. obligations between various City funds, may also be included if it is relevant to understanding the City's debt obligations.

Debt Obligation Listing

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| 6. 2014 Development Impact Fee (DIF) Loan from General Fund..... | H-14 |
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| 7. 1992B Certificates of Participation..... | H-16 |
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| 9. 1998B Variable Rate Lease Revenue Refunding Bonds..... | H-18 |
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DEBT SERVICE

INDIVIDUAL DEBT OBLIGATION SUMMARIES

City - 1996 HUD Section 108 Loan

Purpose/History: On June 6, 1996, the City entered into a note for \$3,000,000 with Chase Manhattan Bank, the proceeds of which were to be used to make loans to assist for-profit businesses. The note is guaranteed by the Department of Housing and Urban Development (HUD) under Section 108 of the Housing and Community Development Act.

Original Principal Amount: \$3,000,000

Principal Outstanding Balance as of:

| | |
|--------------|------------|
| July 1, 2013 | \$ 300,000 |
| July 1, 2014 | \$ 150,000 |
| July 1, 2015 | \$ 0 |

Interest Rate: Variable at 0.2% above LIBOR (London Interbank Offered Rates).

Maturity Date: This debt was paid in full on August 1, 2014. The original maturity date was August 1, 2016; Revised to August 1, 2014 due to prepayments made in April 2009 and May 2011.

Funding Sources: The City of Hesperia is responsible for the HUD Section 108 Housing Loan; however Community Development Block Grant (CDBG) entitlements are the allowed source of funding.

| <u>Payment Amount</u> | 2013-14 <u>Actual</u> | 2014-15 <u>Actual</u> | 2015-16 <u>Budget</u> | 2015-16 <u>Revised</u> | 2016-17 <u>Budget</u> |
|-----------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| Principal Amount | \$150,000 | \$150,000 | \$ 0 | \$ 0 | \$ 0 |
| Interest Amount | 870 | 165 | 0 | 0 | 0 |
| Admin/Other Costs | <u>400</u> | <u>100</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | \$151,270 | \$150,265 | \$ 0 | \$ 0 | \$ 0 |

Analysis and Recommendation

This debt obligation was paid in full August 1, 2014.

DEBT SERVICE

INDIVIDUAL DEBT OBLIGATION SUMMARIES (Continued)

City - Series 2004 Variable Rate Demand Revenue Bonds

Purpose/History: On September 22, 2004, the Hesperia Public Financing Authority issued Variable Rate Demand Revenue Bonds – Series 2004 for \$12,525,000, of which \$1,034,075 was put in reserve and the balance was used to refund the 1993A and B Revenue Bonds (Measure I Debt). The 1993 A and B Bonds were used to finance the construction, replacement, or improvement of local streets and highways of the City.

Original Principal Amount: \$12,525,000

Principal Outstanding Balance as of:

| | |
|------------------------|--------------|
| July 1, 2013 | \$ 5,855,000 |
| July 1, 2014 | \$ 5,235,000 |
| July 1, 2015 | \$ 4,590,000 |
| Estimated July 1, 2016 | \$ 0 |

Interest Rate: Variable

Maturity Date: Debt obligation was paid in full on October 1, 2015 due to \$3,920,000 additional prepayment in FY 2015-16. Original maturity date was October 1, 2023; revised to October 1, 2021 due to prepayments made in FY 2005-06, FY 2006-07, and FY 2007-08.

Funding Sources: Gas Tax Revenue, Gas Tax Swap Revenue, and Local Transportation (LTF) Revenue.

| <u>Payment Amount</u> | 2013-14 <u>Actual</u> | 2014-15 <u>Actual</u> | 2015-16 <u>Budget</u> | 2015-16 <u>Revised</u> | 2016-17 <u>Budget</u> |
|-----------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| Principal Amount | \$620,000 | \$645,000 | \$4,590,000 | \$4,590,000 | \$ 0 |
| Interest Amount | 9,010 | 4,990 | 11,475 | 1,525 | 0 |
| Admin/Other Costs | <u>194,333</u> | <u>86,706</u> | <u>45,000</u> | <u>25,358</u> | <u>0</u> |
| Total | \$823,343 | \$736,696 | \$4,646,475 | \$4,616,883 | \$ 0 |

Analysis and Recommendation

This debt obligation was paid in full on October 1, 2015.

Since FY 2005-06, a total of \$6,320,000 in prepayments have been made (FY 2005-06 \$600,000, FY 2006-07 \$1,000,000, FY 2007-08 \$800,000, and FY 2015-16 \$3,920,000), resulting in the retirement of the debt eight years early and saving the City over \$9 million dollars compared to the original 1993 A&B debt service schedules.

DEBT SERVICE

INDIVIDUAL DEBT OBLIGATION SUMMARIES (Continued)

City – 2005 Variable Rate Demand Certificates of Participation

Purpose/History: At the April 20, 2005 Council meeting, the City Council authorized the issuance of Certificates of Participation (COP) to finance \$15,000,000 in costs associated with the new Civic Plaza (City Hall). This COP debt obligation was issued in June 2005 as a variable rate debt for \$18,300,000. Based on the final bond issuance numbers, the General Fund is responsible for 12.75% and the Public Service Development Impact Fees are responsible for 87.25% of the debt-related costs.

Original Principal Amount: \$18,300,000

Principal Outstanding Balance as of:

| | |
|--------------|---------------|
| July 1, 2012 | \$ 13,200,000 |
| July 1, 2013 | \$ 12,700,000 |
| July 1, 2014 | \$ 0 |

Interest Rate: Variable

Maturity Date: November 1, 2013 COPs were refinanced into 2013 Civic Plaza Refunding Lease Revenue Bonds. (October 1, 2034 original maturity date; revised to October 1, 2031, due to prepayment made in March 2008).

Funding Sources: General Fund and Public Services Development Impact Fees

| <u>Payment Amount</u> | 2013-14 <u>Actual</u> | 2014-15 <u>Actual</u> | 2015-16 <u>Budget</u> | 2015-16 <u>Revised</u> | 2016-17 <u>Budget</u> |
|-----------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| Principal Amount | \$12,700,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Interest Amount | 8,362 | 0 | 0 | 0 | 0 |
| Admin/Other Costs | <u>78,604</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | \$12,786,966 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

Analysis and Recommendation

On November 1, 2013, the COPs were refinanced into the 2013 Civic Plaza Refunding Revenue Bonds to take advantage of the low interest rate environment and move to a fixed rate schedule. The \$12,700,000 principal payment included the full outstanding amount due.

DEBT SERVICE

INDIVIDUAL DEBT OBLIGATION SUMMARIES (Continued)

City – 2012 Lease Revenue Bonds (Water Rights Acquisition)

Purpose/History: At the November 20, 2012 City Council meeting, the City Council authorized the issuance of Lease Revenue Bonds to finance \$25,000,000 in permanent water rights. The total cost of the 5,971 acre feet of water rights was \$30,000,000, made up of a \$5 million cash deposit and the bond issue.

Original Principal Amount: \$26,735,000

Principal Outstanding Balance as of:

| | |
|------------------------|---------------|
| July 1, 2013 | \$ 26,735,000 |
| July 1, 2014 | \$ 26,300,000 |
| July 1, 2015 | \$ 25,745,000 |
| Estimated July 1, 2016 | \$ 25,180,000 |

Interest Rate: Fixed rates ranging from 2.0% - 4.0%

Maturity Date: October 1, 2042

Funding Sources: General Fund

| <u>Payment Amount</u> | 2013-14 <u>Actual</u> | 2014-15 <u>Actual</u> | 2015-16 <u>Budget</u> | 2015-16 <u>Revised</u> | 2016-17 <u>Budget</u> |
|-----------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| Principal Amount | \$ 435,000 | \$ 555,000 | \$ 565,000 | \$ 565,000 | \$ 580,000 |
| Interest Amount | 900,475 | 890,575 | 876,550 | 876,550 | 859,375 |
| Admin/Other Costs | <u>4,181</u> | <u>2,190</u> | <u>8,000</u> | <u>5,725</u> | <u>7,000</u> |
| Total | \$1,339,656 | \$1,447,765 | \$1,449,550 | \$1,447,275 | \$1,446,375 |

Analysis and Recommendation

This obligation will be paid according to the debt service schedule.

DEBT SERVICE

INDIVIDUAL DEBT OBLIGATION SUMMARIES (Continued)

City – 2013 Civic Plaza Refunding Lease Revenue Bonds (Refinancing of 2005 COPs)

Purpose/History: At the August 6, 2013 City Council meeting, the City Council authorized the issuance of the Hesperia Joint Public Finance Authority 2013 Refunding Lease Revenue Bonds (Refinancing of 2005 Civic Plaza Financing)

Original Principal Amount: \$12,445,000

Principal Outstanding Balance as of:

| | |
|------------------------|--------------|
| July 1, 2013 | \$ 0 |
| July 1, 2014 | \$12,445,000 |
| July 1, 2015 | \$12,190,000 |
| Estimated July 1, 2016 | \$11,960,000 |

Interest Rate: Fixed rates ranging from 2.0% - 5.0%

Maturity Date: October 1, 2035

Funding Sources: General Fund and Public Services Development Impact Fees (DIF)

| <u>Payment Amount</u> | 2013-14 <u>Actual</u> | 2014-15 <u>Actual</u> | 2015-16 <u>Budget</u> | 2015-16 <u>Revised</u> | 2016-17 <u>Budget</u> |
|-----------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| Principal Amount | \$ 0 | \$255,000 | \$230,000 | \$230,000 | \$250,000 |
| Interest Amount | 233,624 | 543,314 | 540,600 | 540,600 | 532,150 |
| Admin/Other Costs | <u>*307,605</u> | <u>2,445</u> | <u>6,000</u> | <u>5,725</u> | <u>7,000</u> |
| Total | \$541,229 | \$800,759 | \$776,600 | \$776,325 | \$789,150 |

*Note: Includes bond issuance costs as well as discount on bond issue

Analysis and Recommendation

This debt issue refinanced the previous 2005 Civic Plaza Certificates of Participation (COP). This new issue has fixed interest rates and bonds cannot be called prior to October 1, 2023. The bonds will be paid according to the debt service schedule. As with the previous 2005 COPs, Public Services DIF will continue to fund 87.25% of the debt service, with the General Fund contributing the remaining 12.75%.

Due to insufficient funds within Public Services DIF, the General Fund will continue to provide a loan to DIF so that the required contribution for the annual debt service can be made. This is a loan that is administered separately from the Civic Plaza debt issue.

DEBT SERVICE

INDIVIDUAL DEBT OBLIGATION SUMMARIES (Continued)

City – 2014 Development Impact Fees (DIF) Public Services – Loan from General Fund

Purpose/History: As referenced in the City – 2013 Civic Plaza Refunding Lease Revenue Bond debt, Development Impact Fee (DIF) Public Services contributes 87.25% of the annual debt service for the City Hall building financed by the Civic Plaza bonds. Beginning in FY 2014-15, the DIF Public Services Fund did not have sufficient cash to fully fund the 87.25% contribution. Therefore, with the adoption of the FY 2014-15 Budget, a loan from the General Fund to DIF was needed in order for DIF to make the needed contribution to pay the debt service on the bonds. The loan amount will increase annually until the DIF Public Services Fund has sufficient cash to make the full 87.25% contribution to the debt service fund.

Original Principal Amount: \$65,840

Principal Outstanding Balance as of:

| | |
|------------------------|-------------|
| July 1, 2013 | \$ 0 |
| July 1, 2014 | *\$ 65,840 |
| July 1, 2015 | \$ 832,104 |
| Estimated July 1, 2016 | \$1,520,637 |

*Note: During FY 2014-15, the loan amount was increased by \$88,680 to \$154,520 due to an extension of the "Development Impact Fee Reduction Program".

Interest Rate: Variable (Quarterly based upon Local Agency Investment Fund)

Maturity Date: Ongoing until sufficient DIF funds are available

Funding Sources: DIF – Public Services

| <u>Payment Amount</u> | 2013-14 <u>Actual</u> | 2014-15 <u>Actual</u> | 2015-16 <u>Budget</u> | 2015-16 <u>Revised</u> | 2016-17 <u>Budget</u> |
|-----------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| Principal Amount | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Interest Amount | 0 | 200 | 2,255 | 2,210 | 16,412 |
| Admin/Other Costs | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | \$ 0 | \$200 | \$2,255 | \$2,210 | \$16,412 |

Analysis and Recommendation

Repayment of this debt obligation will be made as soon as sufficient DIF – Public Service funds are available.

Due to the depletion of reserves within the 2013 Civic Plaza Refunding Lease Revenue Bond Fund, a substantial increase in the contributions from DIF Public Services (87.25%) and the General Fund (12.75%) are needed. The DIF Public Services Fund is projected to have insufficient funds for the FY 2016-17 needed contribution of \$688,533. Therefore an increase of (\$688,533) is needed in the General Fund Loan to DIF Public Services, for a cumulative total loan amount of \$1,520,637. If the "Development Impact Fee Reduction Pilot Program" is extended, it is projected that an additional loan from the General Fund will be needed in FY 2017-18.

DEBT SERVICE

INDIVIDUAL DEBT OBLIGATION SUMMARIES (Continued)

Water District - 1992B Certificates of Participation

Purpose/History: On June 1, 1992, the Water District issued 30 Year Certificates of Participation for \$1,405,000 to fund the acquisition of 47.6% of an administration building and the parcel of land on which it is located.

Original Principal Amount: \$1,405,000

Principal Outstanding Balance as of:

| | |
|------------------------|------------|
| July 1, 2013 | \$ 825,000 |
| July 1, 2014 | \$ 760,000 |
| July 1, 2015 | \$ 690,000 |
| Estimated July 1, 2016 | \$ 615,000 |

Interest Rate: 9%

Maturity Date: June 1, 2022

Funding Source: Hesperia Water District – The District has covenanted that it will set rates and charges for water and sewer services, which will be at least sufficient to yield, during each fiscal year, net revenues equal to 105% of debt service.

| <u>Payment Amount</u> | 2013-14 <u>Actual</u> | 2014-15 <u>Actual</u> | 2015-16 <u>Budget</u> | 2015-16 <u>Revised</u> | 2016-17 <u>Budget</u> |
|-----------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| Principal Amount | \$ 65,000 | \$ 70,000 | \$ 75,000 | \$ 75,000 | \$ 80,000 |
| Interest Amount | 74,250 | 68,400 | 62,100 | 62,100 | 55,350 |
| Admin/Other Costs | <u>0</u> | <u>4,314</u> | <u>5,000</u> | <u>4,400</u> | <u>5,000</u> |
| Total | \$139,250 | \$142,714 | \$142,100 | \$141,500 | \$140,350 |

Note: Budgetary Basis Adjustment – For budgetary purposes the principal payments are reflected in the actual columns, whereas the Comprehensive Annual Financial Report (CAFR) reflects a reduction in the liability. Also, the CAFR shows an interest accrual, whereas the budget does not.

Analysis and Recommendation

This 1992B Certificate of Participation debt obligation has a high interest rate at 9% and a step-up provision, which provides that substantial principal reductions only occur in the later years of this 30-year obligation. Evaluation of this debt obligation indicates that there are no principal reduction or call provisions that allow for early repayment or refinancing of this obligation, requiring the payment of the full amount of interest due through the maturity of the debt.

DEBT SERVICE

INDIVIDUAL DEBT OBLIGATION SUMMARIES (Continued)

Water District - 1998A Variable Rate Lease Revenue Refunding Bonds (Taxable)

Purpose/History: On July 2, 1998, the Water District issued 1998A revenue refunding bonds to refund the 1991 \$17,675,000 Certificates of Participation (COP) that were issued June 1, 1991. The 1991 COPs were issued to refund earlier 1990 COP. The 1990 COPs were being used to fund improvements to the District's Water Facilities to replace approximately 65 miles of deteriorating 4, 6, and 8 inch steel water pipeline, as well as refund prior indebtedness of the District.

Original Principal Amount: \$18,040,000

Principal Outstanding Balance as of:

| | |
|------------------------|--------------|
| July 1, 2013 | \$11,005,000 |
| July 1, 2014 | \$10,310,000 |
| July 1, 2015 | \$ 9,590,000 |
| Estimated July 1, 2016 | \$ 8,840,000 |

Note: For financial statement purposes, the bond discount and the difference between the reacquisition price and net carrying value of the 1991 COPs have been deferred and are amortized over the remaining life of the bonds.

Interest Rate: Variable. As of June 1, 2005, \$10,000,000 was swapped to a fixed rate of 5.96%. For FY 2016-17, the swap reduces to \$9,340,000.

Maturity Date: June 1, 2026

Funding Source: Hesperia Water District – Taxes and User Fees

| <u>Payment Amount</u> | 2013-14 <u>Actual</u> | 2014-15 <u>Actual</u> | 2015-16 <u>Budget</u> | 2015-16 <u>Revised</u> | 2016-17 <u>Budget</u> |
|-----------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| Principal Amount | \$ 695,000 | \$ 720,000 | \$ 750,000 | \$ 750,000 | \$ 780,000 |
| Interest Amount | 603,521 | 597,611 | 605,000 | 600,000 | 565,070 |
| Admin/Other Costs | <u>295,340</u> | <u>171,957</u> | <u>188,427</u> | <u>164,000</u> | <u>154,000</u> |
| Total | \$1,593,861 | \$1,489,568 | \$1,543,427 | \$1,514,000 | \$1,499,070 |

Note: Budgetary Basis Adjustment – For budgetary purposes the principal payments are reflected in the actual columns, whereas the Comprehensive Annual Financial Report (CAFR) reflects a reduction in the liability. Also, the CAFR shows the interest accrual, as well as the amortization of discounts and deferred charges, whereas the budget does not.

Analysis and Recommendation

This obligation will be paid according to the debt service schedule. For FY 2016-17, the \$10,000,000 swap is reduced to \$9,340,000. The swap has a stated rate of 5.96% and the agreement is based upon London Interbank Offered Rate (LIBOR) BBA (British Bankers' Assoc.). However, the interest rate paid to US Bank is based upon rates resulting from the remarketing process which may be different from the LIBOR BBA, depending upon market conditions at the time. For FY 2016-17, a rate of 6.05% will be budgeted to sufficiently cover the interest. The letter of credit agreement has been extended to November 2018 and has been budgeted at 1.45%, as that is the category the debt issue currently falls within.

DEBT SERVICE

INDIVIDUAL DEBT OBLIGATION SUMMARIES (Continued)

Water District - 1998B Variable Rate Lease Revenue Refunding Bonds (Tax Exempt)

Purpose/History: On July 2, 1998, the Water District issued 1998B revenue refunding bonds to refund the 1992A, \$1,855,000 Certificates of Participation (COP) that were issued June 1, 1992. The 1992A COPs were issued to fund the acquisition and improvement of 52.4% of an administration building and the parcel of land on which it is located.

Original Principal Amount: \$2,070,000

Principal Outstanding Balance as of:

| | |
|------------------------|-------------|
| July 1, 2013 | \$1,005,000 |
| July 1, 2014 | \$ 910,000 |
| July 1, 2015 | \$ 810,000 |
| Estimated July 1, 2016 | \$ 705,000 |

Note: For financial statement purposes, the bond discount, and the difference between the reacquisition price and net carrying value of the 1992A COPs have been deferred and are amortized over the remaining life of the bonds.

Interest Rate: Variable.

Maturity Date: June 1, 2022

Funding Source: Hesperia Water District – Taxes and User Fees

| <u>Payment Amount</u> | 2013-14 <u>Actual</u> | 2014-15 <u>Actual</u> | 2015-16 <u>Budget</u> | 2015-16 <u>Revised</u> | 2016-17 <u>Budget</u> |
|-----------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| Principal Amounts | \$ 95,000 | \$100,000 | \$105,000 | \$105,000 | \$105,000 |
| Interest Amount | 1,678 | 938 | 8,100 | 1,000 | 7,050 |
| Admin/Other Costs | <u>26,053</u> | <u>14,547</u> | <u>14,183</u> | <u>12,500</u> | <u>12,000</u> |
| Total | \$122,731 | \$115,485 | \$127,283 | \$118,500 | \$124,050 |

Note: Budgetary Basis Adjustment – For budgetary purposes the principal payments are reflected in the actual columns, whereas the Comprehensive Annual Financial Report (CAFR) reflects a reduction in the liability. Also, the CAFR shows the interest accrual, as well as the amortization of discounts, and deferred charges, whereas the budget does not.

Analysis and Recommendation

Interest has been budgeted at 1.00%. Like the 1998A issue, the Letter of Credit (LOC) has been extended through November 2018 and the most favorable rate of 1.45% has been budgeted, as that is the category the debt issue currently falls within.

DEBT SERVICE

INDIVIDUAL DEBT OBLIGATION SUMMARIES (Continued)

Water – 2010 Loan from the Low and Moderate Income Housing Fund

Purpose/History: On August 17, 2010, the Redevelopment Agency (RDA) Board/Water District Board approved Resolutions HCRA 2010-012 and HWD 2010-12, authorizing a loan from the RDA Low and Moderate Income Housing Fund to the Water District as of June 30, 2010.

Original Principal Amount: \$6,000,000

Principal Outstanding Balance as of:

| | |
|--------------|-------------|
| July 1, 2013 | \$2,400,000 |
| July 1, 2014 | \$1,200,000 |
| July 1, 2015 | \$ 0 |

Interest Rate: Variable Rate (Quarterly based upon Local Agency Investment Fund)

Maturity Date: Original maturity date June 30, 2015. Debt was paid in full on July 1, 2014.

Funding Source: Water Operating

| <u>Payment Amount</u> | 2013-14 <u>Actual</u> | 2014-15 <u>Actual</u> | 2015-16 <u>Budget</u> | 2015-16 <u>Revised</u> | 2016-17 <u>Budget</u> |
|-----------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| Principal Amounts | \$1,200,000 | \$1,200,000 | \$ 0 | \$ 0 | \$ 0 |
| Interest Amount | 4,785 | 0 | 0 | 0 | 0 |
| Admin/Other Costs | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | \$1,204,785 | \$1,200,000 | \$ 0 | \$ 0 | \$ 0 |

Analysis and Recommendation:

This debt obligation was paid in full on July 1, 2014.

DEBT SERVICE

INDIVIDUAL DEBT OBLIGATION SUMMARIES (Continued)

Water – 2016 State Revolving Fund (SRF) Loan

Purpose/History: On December 15, 2015, the Water District Board of Directors approved an Installment Sale Agreement with the California State Water Resources Control Board to finance the construction of a reclaimed water pipeline distribution system. At this time, the proposed project and agreement are under final review by the State, with final acceptance forthcoming. Of the \$14,673,750 requested, the current agreement proposes a \$4,727,337 Grant, with the remaining \$9,946,413 in the form of a loan at a 1% interest rate. Once the agreement has been approved by the State and is finalized, interest will accrue beginning with each disbursement and repayment of principal and interest will begin one year after completion of construction.

Original Principal Amount: Upon approval by the State, estimated at \$9,946,413

Principal Outstanding Balance as of:

| | |
|------------------------|-----|
| July 1, 2013 | \$0 |
| July 1, 2014 | \$0 |
| July 1, 2015 | \$0 |
| Estimated July 1, 2016 | \$0 |

Interest Rate: Estimated at 1%

Maturity Date: Unknown at this time; Term not to exceed 30 years.

Funding Source: Pledge of Water District Net Revenues

| <u>Payment Amount</u> | 2013-14 <u>Actual</u> | 2014-15 <u>Actual</u> | 2015-16 <u>Budget</u> | 2015-16 <u>Revised</u> | 2016-17 <u>Budget</u> |
|-----------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| Principal Amounts | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Interest Amount | 0 | 0 | 0 | 0 | 0 |
| Admin/Other Costs | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

Analysis and Recommendation:

The proposed project/agreement is under review by the State. Repayment would begin one year after completion of construction.

DEBT SERVICE

COMPUTATION OF LEGAL DEBT MARGIN

The State of California Government Code §43605 states "A city shall not incur an indebtedness for public improvements which exceeds in the aggregate 15 percent of the assessed value of all real and personal property of the city. Within the meaning of this section "indebtedness" means bonded indebtedness of the city payable from the proceeds of taxes levied upon taxable property in the City". The computation of the City's legal debt margin is shown below.

| | <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> |
|--|------------------|------------------|------------------|------------------|
| Total assessed value of all real and personal property | \$ 4,209,284,000 | \$ 4,398,848,011 | \$ 4,643,553,508 | \$ 5,014,130,068 |
| Debt limit percentage (1) | <u>15.00%</u> | <u>15.00%</u> | <u>15.00%</u> | <u>15.00%</u> |
| Total debt limit | 631,392,600 | 659,827,202 | 696,533,026 | 752,119,510 |
| | | | | |
| Amount of debt applicable to debt limit | <u>5,855,000</u> | <u>5,235,000</u> | <u>4,590,000</u> | <u>0</u> |
| Legal debt margin | \$ 625,537,600 | \$ 654,592,202 | \$ 691,943,026 | \$ 752,119,510 |
| | | | | |
| Percent of Debt Limit Authorized | 0.93% | 0.79% | 0.66% | 0.00% |

Source: City of Hesperia, Management Services Department
San Bernardino County Assessor's Office