

City of Sierra Madre, California

Village of the Foothills
2007 All-America City Recipient



Debt Administration FY 2009-11



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DEBT ADMINISTRATION

Debt management is an important component of a Sierra Madre's financial management practices. Cities use the option of debt financing to fund large projects at a time when paying for these projects out of current revenues would be impractical. Since the City does not have a formally adopted debt policy, State law pertaining to local government debt, and past City debt transactions do serve as a de facto policy. As part of our on-going debt management program, the City periodically reviews all outstanding debt to evaluate the cost/benefit of restructuring or retiring any outstanding debt. All debt service payments are budgeted and are anticipated to be covered by current revenues each year.

It is often equitable to spread the cost of a project over time, thereby sharing the cost burden for the project with both current and future taxpayers who will benefit from the project. For such long-term investments, borrowing is the most appropriate means for the City to maintain its assets and build for the future. Additional factors that influence City borrowing included the amount of outstanding debt, the opportunity cost of borrowing, and the cost of borrowing in the credit markets.

Examples of projects which are of long-term public interest and which enhance the community's quality of life, include: Water Treatment and Reservoir projects funded by the 1998 and 2003 Water Bonds, and Senior Housing project partially funded by the Community Redevelopment Agency 1998 bonds.

TYPES OF DEBT

Capital Leasing can be used to acquire tangible assets where there is a pledge to pay the debt from current annual receipts and where the acquired assets can be placed under a lien until the debt obligation is paid off. The City of Sierra Madre has used capital leasing to acquire equipment. In FY 2008-09, the City made the final payment on their existing ten-year capital lease for Fire Apparatus. As part of the long term capital purchase plans, the City has proposed the purchase of four major equipment purchases through the use of a new ten-year master lease (See page 6-6 in the Capital Improvement Plan). This is fiscally responsible in that the useful life of City equipment has historically been a 20-40 year cycle. The total estimated capital purchase is estimated at \$1 million with an assumed annual apportionment of \$140,000 (based on current market rates of 6.5%). The expenditures payments will be funded from General Fund, Sewer and Internal Services.



**CITY of SIERRA MADRE
DEBT ADMINISTRATION
FY 2009-11**

General Obligation Debt: A bond secured by a pledge of the issuer's taxing powers (limited or unlimited). More commonly the general obligation bonds of local governments are paid from ad valorem property taxes and other general revenues. Considered the most secure of all municipal debt. Limited in California by Proposition 13 to debt authorized by a vote of two-thirds of voters in the case of local governments or a simple majority for state issuance.

The City has one twenty year General Obligation Bond for the Community Redevelopment Agency. These funds are used support general operations of the CRA and purchase rehabilitating property within the CRA. Within the CRA Debt Fund, the budget reflects the annual interest payments for the 2003 Tax Increment Bonds, \$171,288 in FY 2009-10 and \$160,125 in FY 2010-11. Under the modified accrual method, the bond principal payment is also appropriated in the budget process; the payments are \$225,000 in FY 2009-10 and \$235,000 in FY 2010-11.

CRA BOND PAYMENTS FOR FY 2009-11

	RATE	PRINCIPAL DUE	SERIAL REDEMPTION INTEREST	TOTAL DEBT SERVICE
2009	4.70%	\$ 225,000	\$ 171,288	\$ 396,288
2010	5.00%	\$ 235,000	\$ 160,125	\$ 395,125

Special Assessment Districts can be used to finance infrastructure for a limited area of the City. With this kind of debt, special assessments, or special taxes are levied against the property owners in a defined district who directly benefit from the infrastructure improvement. The City of Sierra Madre has used this type of debt to finance infrastructure for specific services approved by the property owners within the assessment districts. Examples include: sewer, street lighting, and downtown landscaping assessment districts.



**CITY of SIERRA MADRE
DEBT ADMINISTRATION
FY 2009-11**

Special Revenue Debt can be used to finance capital projects where there is a pledge to pay the debt from a stream of revenue accruing to the City. This form of debt is used to finance facilities and improvements from enterprise fund activities, which generate ongoing revenues. The City of Sierra Madre has used this type of debt for its water enterprises with the issuance of the 1998 and 2003 Water Bonds. Revenues are collected through customer fees on the utility bills

The budget does include the annual interest payments for the 1998 and 2003 Revenue Bonds, \$546,895 in FY 2009-10 and \$531,845 in FY 2010-11. Under the full accrual method, the bond principal payment is shown as a Balance Sheet and Cash Flow entry only; the payments are \$300,000 in FY 2009-10 and \$320,000 in FY 2010-11. Beginning in FY 2009-10, the Water Fund will begin repayment of the 10 year interest free loan to the San Gabriel Valley Municipal Water District; \$145,688 annually until FY 2019-20. Like the bond principal payment, the loan payment is not reflected in the annual budget of the Water Fund, but is only reported in the annual financial statements.

WATER REVENUE BONDS (1998 SERIES) PAYMENTS FOR FY 2009-11

	RATE	PRINCIPAL DUE	SERIAL REDEMPTION INTEREST	TOTAL DEBT SERVICE
2009	4.70%	\$ 300,000	\$ 207,550	\$ 507,550
2010	5.00%	\$ 320,000	\$ 192,500	\$ 512,500

WATER REVENUE BONDS (2003 SERIES) PAYMENTS FOR FY 2009-11

	RATE	PRINCIPAL DUE	SERIAL REDEMPTION INTEREST	TOTAL DEBT SERVICE
2009	5.00%	\$ 0	\$ 339,345	\$ 339,345
2010	5.00%	\$ 0	\$ 339,345	\$ 339,345

**SAN GABRIEL VALLEY WATER DISTRICT TEN-YEAR INTEREST FREE NOTE
PAYMENTS FOR FY 2009-11**

	RATE	PRINCIPAL DUE	SERIAL REDEMPTION INTEREST	TOTAL DEBT SERVICE
2009	4.70%	\$ 145,688	\$ 0	\$ 145,688
2010	5.00%	\$ 145,688	\$ 0	\$ 145,688



OUTSTANDING DEBT

Tax Increment Revenue Refunding Bonds, Series 1998A

- *Purpose:* to refund the 1988 Community Redevelopment Agency Debt and to fund improvements within the Agency Project area
- *Issue Date:* May 1, 1998
- *Maturity Date:* November 1, 2020
- *Original Principal Amount:* \$5,175,000
- *July 1, 2009 Principal Outstanding:* \$ 3,320,000
- *Interest Rate:* 3.8% - 5.0%
- *Funding Source:* property tax revenue from Community Redevelopment Project Area

Water Revenue Refunding Bonds, Series 1998A

- *Purpose:* to refund the 1988 Water Enterprise Debt and to fund improvements and betterments within the Water Infrastructure
- *Issue Date:* May 1, 1998
- *Maturity Date:* November 1, 2019
- *Original Principal Amount:* \$6,740,000
- *July 1, 2007 Principal Outstanding:* \$4,010,000
- *Interest Rate:* 3.65% - 5.0%
- *Funding Source:* fees for water services

Water Revenue Parity Bonds, Series 2003

- *Purpose:* to fund improvements and betterments within the Water Infrastructure
- *Issue Date:* September 1, 2003
- *Maturity Date:* November 1, 2034
- *Original Principal Amount:* \$6,750,000
- *July 1, 2007 Principal Outstanding:* \$6,750,000
- *Interest Rate:* 5.00% - 5.01%
- *Funding Source:* fees for water services

San Gabriel Water District: Interest Free 10-year Note

- *Purpose:* to fund improvements and betterments within the Water Infrastructure
- *Issue Date:* December 1, 2009
- *Maturity Date:* December 1, 2020
- *Original Principal Amount:* \$145,687
- *July 1, 2009 Principal Outstanding:* \$1,456,875
- *Interest Rate:* 0%
- *Funding Source:* fees for water service



**CITY of SIERRA MADRE
DEBT
FY 2007-09**

WATER REVENUE PARITY BONDS - \$6,750,000
DUE ANNUALLY NOVEMBER 1

FISCAL YEAR END
JUNE 30,

	RATE	PRINCIPAL DUE	SERIAL REDEMPTION INTEREST	TOTAL DEBT SERVICE
2004	5.00%	-	216,804	216,804
2005	5.00%	-	339,345	339,345
2006	5.00%	-	339,345	339,345
2007	5.00%	-	339,345	339,345
2008	5.00%	-	339,345	339,345
2009	5.00%	-	339,345	339,345
2010	5.00%	-	339,345	339,345
2011	5.00%	-	339,345	339,345
2012	5.00%	-	339,345	339,345
2013	5.00%	-	339,345	339,345
2014	5.00%	-	339,345	339,345
2015	5.00%	-	339,345	339,345
2016	5.00%	-	339,345	339,345
2017	5.00%	-	339,345	339,345
2018	5.00%	-	339,345	339,345
2019	5.00%	-	339,345	339,345
2020	5.00%	310,000	331,595	641,595
2021	5.00%	325,000	315,720	640,720
2022	5.00%	340,000	299,095	639,095
2023	5.00%	360,000	281,595	641,595
2024	5.00%	380,000	263,095	643,095
2025	5.00%	395,000	243,720	638,720
2026	5.00%	420,000	223,345	643,345
2027	5.00%	440,000	201,845	641,845
2028	5.00%	460,000	179,345	639,345
2029	5.00%	485,000	155,720	640,720
2030	5.00%	510,000	130,680	640,680
2031	5.00%	540,000	104,090	644,090
2032	5.00%	565,000	76,105	641,105
2033	5.00%	595,000	46,728	641,728
2034	5.01%	625,000	15,830	640,830
TOTAL		<u>6,750,000</u>	<u>8,175,486</u>	<u>14,925,486</u>
Amount Paid 2003-2009		-	1,913,529	1,913,529
Outstanding 07/01/2009		6,750,000	6,261,958	13,011,958
Amount Paid 2009-2010		0	339,345	339,345
Outstanding 06/30/2010		6,750,000	5,922,613	12,672,613
Amount Due 2010-2011		0	339,345	339,345
Outstanding 06/30/2011		6,750,000	5,583,268	12,333,268



**CITY of SIERRA MADRE
DEBT
FY 2007-09**

1998 WATER REVENUE REFUNDING BONDS - \$6,740,000
DUE ANNUALLY NOVEMBER 1

FISCAL YEAR END
JUNE 30,

	RATE	PRINCIPAL DUE	SERIAL REDEMPTION INTEREST	TOTAL DEBT SERVICE
1999	3.65%	200,000	313,275	513,275
2000	3.80%	210,000	305,635	515,635
2001	3.90%	220,000	297,355	517,355
2002	4.05%	225,000	288,509	513,509
2003	4.15%	235,000	279,076	514,076
2004	4.25%	245,000	268,994	513,994
2005	4.35%	255,000	258,241	513,241
2006	4.45%	270,000	246,688	516,688
2007	4.55%	280,000	234,310	514,310
2008	4.60%	290,000	221,270	511,270
2009	4.70%	300,000	207,550	507,550
2010	5.00%	320,000	192,500	512,500
2011	5.00%	335,000	176,125	511,125
2012	5.00%	350,000	159,000	509,000
2013	5.00%	370,000	141,000	511,000
2014	5.00%	390,000	122,000	512,000
2015	5.00%	405,000	102,125	507,125
2016	5.00%	425,000	81,375	506,375
2017	5.00%	450,000	59,500	509,500
2018	5.00%	470,000	36,500	506,500
2019	5.00%	495,000	12,375	507,375
TOTAL		<u>6,740,000</u>	<u>4,003,402</u>	<u>10,743,402</u>
Amount Paid 1998-2009		<u>2,730,000</u>	<u>2,920,902</u>	<u>5,650,902</u>
Outstanding 07/01/2009		4,010,000	1,082,500	5,092,500
Amount Paid 2009-2010		<u>300,000</u>	<u>207,550</u>	<u>507,550</u>
Outstanding 06/30/2010		3,710,000	874,950	4,584,950
Amount Due 2010-2011		<u>335,000</u>	<u>176,125</u>	<u>511,125</u>
Outstanding 06/30/2011		<u>3,375,000</u>	<u>698,825</u>	<u>4,073,825</u>



**CITY of SIERRA MADRE
DEBT
FY 2007-09**

**COMMUNITY REDEVELOPMENT AGENCY
DEBT SERVICE SCHEDULES
2009-2011**

1998 TAX INCREMENT REFUNDING BONDS - \$5,175,000
DUE ANNUALLY NOVEMBER 1

FISCAL YEAR END
JUNE 30,

	RATE	PRINCIPAL DUE	SERIAL REDEMPTION INTEREST	TOTAL DEBT SERVICE
1999	3.80%	0	246,035	246,035
2000	3.80%	155,000	243,090	398,090
2001	3.90%	160,000	237,025	397,025
2002	4.05%	165,000	230,564	395,564
2003	4.15%	170,000	223,695	393,695
2004	4.25%	180,000	216,343	396,343
2005	4.35%	185,000	208,494	393,494
2006	4.45%	195,000	200,131	395,131
2007	4.55%	205,000	191,129	396,129
2008	4.60%	215,000	181,520	396,520
2009	4.70%	225,000	171,288	396,288
2010	5.00%	235,000	160,125	395,125
2011	5.00%	245,000	148,125	393,125
2012	5.00%	255,000	135,625	390,625
2013	5.00%	270,000	122,500	392,500
2014	5.00%	285,000	108,625	393,625
2015	5.00%	300,000	94,000	394,000
2016	5.00%	315,000	78,625	393,625
2017	5.00%	330,000	62,500	392,500
2018	5.00%	345,000	45,625	390,625
2019	5.00%	360,000	28,000	388,000
2020	5.00%	380,000	9,500	389,500
TOTAL for Bond Issue		5,175,000	3,342,563	8,517,563
Amount Paid 1998-2009		1,855,000	2,349,313	4,204,313
Outstanding 07/01/2009		3,320,000	993,250	4,313,250
Amount Paid 2009-2010		225,000	171,288	396,288
Outstanding 06/30/2010		3,095,000	821,963	3,916,963
Amount Due 2010-2011		245,000	148,125	393,125
Outstanding 06/30/2011		2,850,000	673,838	3,523,838



**CITY of SIERRA MADRE
DEBT
FY 2007-09**

San Gabriel Water District (10 year Interest Free Loan)
2009-2010
Payment Due December 1

	<u>Payment Amount</u>	<u>Payment applied to</u>		<u>Purchase Price (Remaining Balance)</u>
		<u>Interest</u>	<u>Principal</u>	
Down Payment			-	1,456,875.00
2009 Payment 1	145,687.50	-	145,687.50	1,311,187.50
2010 Payment 2	145,687.50	-	145,687.50	1,165,500.00
2011 Payment 3	145,687.50	-	145,687.50	1,019,812.50
2012 Payment 4	145,687.50	-	145,687.50	874,125.00
2013 Payment 5	145,687.50	-	145,687.50	728,437.50
2014 Payment 6	145,687.50	-	145,687.50	582,750.00
2015 Payment 7	145,687.50	-	145,687.50	437,062.50
2016 Payment 8	145,687.50	-	145,687.50	291,375.00
2017 Payment 9	145,687.50	-	145,687.50	145,687.50
2018 Payment 10	145,687.50	-	145,687.50	-
TOTAL for Debt Issue	<u><u>1,456,875.00</u></u>	<u><u>-</u></u>	<u><u>1,456,875.00</u></u>	
Amount Paid 2008-09	-	-	-	
Outstanding 07/01/2009	1,456,875.00	-	1,456,875.00	
Amount Paid 2009-2010	145,687.50	-	145,687.50	
Outstanding 06/30/2010	1,311,187.50	-	1,311,187.50	
Amount Due 2010-2011	145,687.50	-	145,687.50	
Outstanding 06/30/2011	<u><u>1,165,500.00</u></u>	<u><u>-</u></u>	<u><u>1,165,500.00</u></u>	



**CITY of SIERRA MADRE
DEBT
FY 2007-09**

potential master lease
2010-2020

	<u>Payment Amount</u>	<u>Payment applied to</u>		<u>Purchase Price (Remaining Balance)</u>
		<u>Interest</u>	<u>Principal</u>	
Total Sales Price				1,000,000.00
Trade-in Allowed			-	-
Down Payment			-	-
2010 Payment 1	\$139,104.69	\$65,000.00	74,104.69	925,895.31
2011 Payment 2	\$139,104.69	\$60,183.20	78,921.49	846,973.82
2012 Payment 3	\$139,104.69	\$55,053.30	84,051.39	762,922.42
2013 Payment 4	\$139,104.69	\$49,589.96	89,514.73	673,407.69
2014 Payment 5	\$139,104.69	\$43,771.50	95,333.19	578,074.50
2015 Payment 6	\$139,104.69	\$37,574.84	101,529.85	476,544.65
2016 Payment 7	\$139,104.69	\$30,975.40	108,129.29	368,415.37
2017 Payment 8	\$139,104.69	\$23,947.00	115,157.69	253,257.67
2018 Payment 9	\$139,104.69	\$16,461.75	122,642.94	130,614.73
2019 Payment 10	\$139,104.69	\$8,489.96	130,614.73	(0.00)
TOTAL for Debt Issue	<u>1,391,046.90</u>	<u>391,046.90</u>	<u>1,000,000.00</u>	
Amount Paid 2008-09	-	-	-	
Outstanding 07/01/2009	<u>1,391,046.90</u>	<u>391,046.90</u>	<u>1,000,000.00</u>	
Amount Paid 2009-2010	<u>139,104.69</u>	<u>30,975.40</u>	<u>108,129.29</u>	
Outstanding 06/30/2010	<u>1,251,942.21</u>	<u>360,071.50</u>	<u>891,870.71</u>	
Amount Due 2010-2011	<u>139,104.69</u>	<u>23,947.00</u>	<u>115,157.69</u>	
Outstanding 06/30/2011	<u>1,112,837.52</u>	<u>336,124.50</u>	<u>776,713.02</u>	

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