



ADOPTED BUDGET
FISCAL YEAR 2011-2012

DEBT SERVICE



DEBT SERVICE FUNDS

PUBLIC SERVICE GOAL: *To ensure long-term financial stability within the parameters of a healthy debt-ratio that provides funding for major projects without overly burdening the City's annual operating budget.*

DEBT FINANCING METHODS

Under current state statutes, a city's general obligation bonded debt issuances are subject to legal limitation based upon 15% of total assessed value of real and personal property.

- **Certificates of Participation (COP):** A COP provides long-term financing through a lease or installment sale agreement that does not constitute indebtedness under the state constitutional debt limit and does not require voter approval.
- **Revenue Bonds:** Revenue bonds are issued to acquire, construct or expand public projects for which fees, charges or admissions are charged. The debt incurred is then repaid from the income generated by use of the project.
- **Tax and Revenue Anticipation Notes (TRAN):** A TRAN is issued to provide cash at the onset of the fiscal year prior to the receipt of general fund and other unrestricted funds necessary to cover the expenditures of ongoing operations. A TRAN may be done annually and must be repaid in full, including interest, in the same fiscal year that it is borrowed.

DEBT REGULATIONS AND POLICIES

- **DEBT LIMITATIONS – THE GANN INITIATIVE:**

In November 1979, the voters of California approved Proposition 4, commonly known as the Gann Initiative. This proposition created

Article XIIIB of the State Constitution, placing limits on the amount of revenue that can be appropriated by all government entities in any one fiscal year. The legislation mandates that all governing bodies adopt a resolution establishing its Appropriations Limit as part of its budgeting process. As of June 30, 2011, the City did not have net general obligation bonded debt subject to such limitations.

Appropriation Limit Calculations - Fiscal Year 2010-2011
Adopted Budget subject to the limit for the prior fiscal year 2010-2011 totaled \$41,421,268 against the Appropriations Limit of \$80,415,830 for that year.

- **DEBT RATIO**

Debt ratio is a measure of the city's financial health. It is the amount of debt compared to total assets and is calculated by dividing total debt by total assets. Adoption of a debt-ratio policy is recommended to maintain a structural balance within the city's finances.

- **BOND RATING**

The City's bond rating is an assessment of the City's ability and legal obligation, to make full and timely payments of all principal and interest on the debt security over the course of its maturity schedule. Currently, the City's bond ratings are as follows:

Standard & Poors = A-
Moody's Investor Service = Baa3

FISCAL YEAR 2011-2012
CERTIFICATES OF PARTICIPATION - PUBLIC PARKING PROJECT
1991 VARIABLE RATE DEMAND BONDS
(Issued in 1991)

BOND ISSUES: **CITY OF GARDENA**
Gardena Public Parking Project - Hazama Parking

DATE OF ISSUES: September 4, 1991

AMOUNT OF ISSUE: \$6,500,000.00

AMOUNT OUTSTANDING: **\$520,000.00**
(June 30, 2011)

DESCRIPTION: The 1991 Certificates of Participation were issued to provide funds for the acquisition of a public parking structure. The bonds are special obligations of the City of Gardena Financing Agency payable solely from a pledge of and lien on net funds (except the Rebate Fund) created by the bonds Indenture and investment earnings thereon. The bonds are not a debt or liability of the City of Gardena, the County of Los Angeles, the State of California or any political subdivisions. Neither the Agency, any member of Agency, the City of Gardena, the County of Los Angeles or the State of California shall be obligated to pay the principal of or interest on the Bonds.

PAYMENT AGENT: US Bank

DEBT SERVICE REQUIREMENTS

	FY 2009-10	FY 2010-11	FY 2011-12
REVENUE SOURCES			
From owner's payment	\$520,058.00	\$542,770.00	\$549,000.00
Interest earned	0.00	0.00	0.00
TOTAL:	\$520,058.00	\$542,770.00	\$549,000.00
EXPENDITURES			
Administration and trustee fees	\$3,000.00	\$3,000.00	\$3,000.00
Interest Expense	52,058.00	44,770.00	26,000.00
Principal payment	465,000.00	495,000.00	520,000.00
TOTAL:	\$520,058.00	\$542,770.00	\$549,000.00

NOTE: General Fund obligation is \$0.

FISCAL YEAR 2011-2012
DEBT SERVICE REQUIREMENTS
2006 REFUNDING CERTIFICATES OF PARTICIPATION SERIES A&B
(Issued in 2006)

BOND ISSUES: **CITY OF GARDENA**

Refunding

DATE OF ISSUES: June 7, 2006

AMOUNT OF ISSUE: \$21,010,000.00

AMOUNT OUTSTANDING: **\$19,950,000.00**
(June 30, 2011)

DESCRIPTION: The 2006 Refunding Certificates of Participation Series AB&C are issued to (1) refinance certain financial obligations of the City in connection with a Memorandum of Understanding with certain financial institutions, (2) prepay and defease certain outstanding 1994 Refunding Certificates of Participation, (3) fund a reserve fund and (4) pay certain costs of issuance.

The total \$21,010,000 includes \$12,495,000 aggregate principal amount of Certificates of Participation (2006 Refinancing Project, Series A), and \$8,515,000 aggregate principal amount of Certificates of Participation Series B (the 2006C Certificates.)

The bond interest rates vary from 3.625% to 4.500%.

PAYMENT DATES: January 1 and July 1

PAYMENT AGENT: US Bank

DEBT SERVICE REQUIREMENTS

	FY 2009-10	FY 2010-11	FY 2011-12
<u>REVENUE SOURCES</u>			
Transfer-in from General Fund	\$1,529,923.00	\$1,526,632.50	\$1,527,795.00
Interest Earnings	90,000.00	90,000.00	90,000.00
TOTAL:	\$1,619,923.00	\$1,616,632.50	\$1,617,795.00
<u>EXPENDITURES</u>			
Interest Expense	\$1,326,423.00	\$1,308,632.50	\$1,289,795.00
Principal payment	290,000.00	305,000.00	325,000.00
Administration and trustee fees	3,500.00	3,000.00	3,000.00
TOTAL:	\$1,619,923.00	\$1,616,632.50	\$1,617,795.00

FISCAL YEAR 2011-2012
DEBT SERVICE REQUIREMENTS
2006 REFUNDING CERTIFICATES OF PARTICIPATION SERIES C
(Issued in 2006)

BOND ISSUES: **CITY OF GARDENA**

Refunding

DATE OF ISSUES: June 7, 2006

AMOUNT OF ISSUE: \$3,650,000.00

AMOUNT OUTSTANDING: **\$3,055,000.00**
(June 30, 2011)

DESCRIPTION: The 2006 Refunding Certificates of Participation Series AB&C are issued to (1) refinance certain financial obligations of the City in connection with a Memorandum of Understanding with certain financial institutions, (2) prepay and defease certain outstanding 1994 Refunding Certificates of Participation, (3) fund a reserve fund and (4) pay certain costs of issuance.

The \$3,650,000 issued in the Certificates of Participation Series AB&C is the aggregate principal amount of Certificates of Participation (2006 Refinancing Project, Series C).

The bond interest rates vary from 3.625% to 4.300%.

PAYMENT DATES: January 1 and July 1

PAYMENT AGENT: US Bank

DEBT SERVICE REQUIREMENTS

	FY 2009-10	FY 2010-11	FY 2011-12
<u>REVENUE SOURCES</u>			
Transfer-in from General Fund	\$289,413.00	\$288,506.26	\$287,206.00
Interest Earnings	7,400.00	7,400.00	7,400.00
TOTAL:	\$296,813.00	\$295,906.26	\$294,606.00
<u>EXPENDITURES</u>			
Interest Expense	\$141,813.00	\$135,906.26	\$129,606.00
Principal payment	155,000.00	160,000.00	165,000.00
Administration and trustee fees	0.00	0.00	0.00
TOTAL:	\$296,813.00	\$295,906.26	\$294,606.00

**FISCAL YEAR 2011-2012
DEBT SERVICE REQUIREMENTS
2007 REVENUE BONDS SERIES A
(Issued in 2007)**

BOND ISSUES: **CITY OF GARDENA**
South Bay Communication Center

DATE OF ISSUES: January 24, 2007

AMOUNT OF ISSUE: \$2,800,000.00

AMOUNT OUTSTANDING: **\$2,320,000.00**
(June 30, 2011)

DESCRIPTION: The 2007 A Refunding Revenue Bonds are issued pursuant to Indenture of Trust, dated as of February 1, 2007 by and between the South Bay Regional Public Communications Authority (SBRPCA), and the Bank of New York Trust Company, N.A. as trustee. The bonds are issued to refund SBRPCA Revenue Bonds 2001 Series A (City of Gardena Project) in an amount of \$2,630,000, to fund the Reserve Account, and to pay certain costs of issuance.

PAYMENT DATES: January 1 and July 1

PAYMENT AGENT: Bank of New York Trust Company

DEBT SERVICE REQUIREMENTS

	FY 2009-10	FY 2010-11	FY 2011-12
<u>REVENUE SOURCES</u>			
Transfer-in from General Fund	\$241,325.00	\$241,775.00	\$180,525.00
Interest Earnings	8,500.00	8,500.00	8,500.00
TOTAL:	\$249,825.00	\$250,275.00	\$189,025.00
<u>EXPENDITURES</u>			
Trustee admin. services	\$750.00	\$2,200.00	\$2,200.00
Interest Expense	129,075.00	123,075.00	116,825.00
Principal payment	120,000.00	125,000.00	70,000.00
TOTAL:	\$249,825.00	\$250,275.00	\$189,025.00

**FISCAL YEAR 2011-2012
LEASE AGREEMENT
2002 VIRON ENERGY PROJECT LEASE
(Issued in 2002)**

LEASE ISSUES: **CITY OF GARDENA**
2002 Viron Energy Project Lease

DATE OF ISSUES: November 6, 2002

AMOUNT OF ISSUE: \$1,409,157.24

AMOUNT OUTSTANDING: **\$248,673.49**
(June 30, 2011)

DESCRIPTION: In 2002, the City of Gardena entered into an agreement with Viron Energy Services for the acquisition and installation of a mechanical retrofit and energy management project. Municipal Finance Corporation offered to enter into a lease with Option to Purchase with the City in order to provide lease financing for an amount of \$482,928.24 with an interest rate of 4.95% (2/26/2002). In addition, a loan from the State of California, Energy Commission of \$926,229 was acquired (11/14/2002) with an interest rate of 3.0%.
Interest Rates: 3.00% - 4.95%

PAYMENT DATES: Semi-annually and Quarterly

PAYMENT AGENT: N/A

DEBT SERVICE REQUIREMENTS

	FY 2009-10	FY 2010-11	FY 2011-12
<u>REVENUE SOURCES</u>			
Transfer-in from General Fund	\$190,912.00	\$53,761.63	\$57,075.96
TOTAL:	\$190,912.00	\$53,761.63	\$57,075.96
<u>EXPENDITURES</u>			
Interest expense	\$18,475.00	\$14,356.59	\$11,471.49
Principal payment	172,437.00	39,405.04	45,604.47
TOTAL:	\$190,912.00	\$53,761.63	\$57,075.96

**FISCAL YEAR 2011-2012
LEASE AGREEMENT
OTHER LEASES
(Issued in 2002)**

LEASE ISSUES: **CITY OF GARDENA
Other Leases/Purchase**

DATE OF ISSUES: Various

TOTAL AMOUNT OF ISSUE: \$307,889.97

AMOUNT OUTSTANDING: **\$13,455.97**
(June 30, 2011)

DESCRIPTION:

1- On 03/27/2007, the City entered into a lease/purchase with Ford Motor Credit Company to acquire a truck for Public Works Department with an amount of \$29,462.50 and interest rate of 6.950%. At the end of FY 10-11, the unpaid balance is \$4,972.99.
2- On 11/30/2008, the City entered into a lease/purchase with Ford Motor Credit Company to acquire five (5) 2009 Dodge Chargers for the Police Department with an amount of \$125,957.55 and interest rate of 6.400%.
At the end of FY 2010-11, the unpaid balance is \$8,755.73.

PAYMENT DATES: Semi-annually and Quarterly

PAYMENT AGENT: N/A

DEBT SERVICE REQUIREMENTS

	FY 2009-10	FY 2010-11	FY 2011-12
<u>REVENUE SOURCES</u>			
Transfer-in from General Fund	\$89,372.00	\$63,867.48	\$8,755.73
Transfer-in from Assets Seizure	11,411.00	2,818.85	0.00
Transfer-in from Handyman	6,998.00	0.00	4,972.99
TOTAL:	\$107,781.00	\$66,686.33	\$13,728.72
<u>EXPENDITURES</u>			
Interest expense	\$9,386.00	\$2,962.67	\$272.75
Principal payment	98,395.00	63,723.66	13,455.97
TOTAL:	\$107,781.00	\$66,686.33	\$13,728.72