



# **Debt Service**

## **Fiscal Year 2009-2010**

## 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 XIII B 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, 2009, the City did not have net general obligation bonded debt subject to such limitations.

**Appropriation Limit Calculations - Fiscal Year 2009-2010**  
*Adopted Budget subject to the limit for the prior fiscal year 2008-2009 totaled \$45,835,664 against the Appropriations Limit of \$81,043,656 for that year. The Adopted Budget subject to the limit for fiscal year 2009-2010 is **\$43,562,028** against the Appropriations Limit of **\$82,048,597**.*

- **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 = BBB  
Moody's Investor Service = Baa3



**FISCAL YEAR 2009-2010**  
**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: **\$1,480,000.00**  
*(June 30, 2009)*

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**

	<b>FY 2007-08</b>	<b>Projected FY 2008-09</b>	<b>FY 2009-10</b>
<b>REVENUE SOURCES</b>			
From owner's payment	\$479,869.32	\$503,533.00	\$520,058.00
Interest earned	-	-	-
<b>TOTAL:</b>	<b>\$479,869.32</b>	<b>\$503,533.00</b>	<b>\$520,058.00</b>
<b>EXPENDITURES</b>			
Letter of Credit fees	\$3,000.00	\$3,000.00	\$3,000.00
Interest Expense	56,539.32	60,533.00	52,058.00
Principal payment	420,000.00	440,000.00	465,000.00
<b>TOTAL:</b>	<b>\$479,539.32</b>	<b>\$503,533.00</b>	<b>\$520,058.00</b>

**NOTE: General Fund obligation is \$0.**

**AMORTIZATION SCHEDULE**  
**1991 VARIABLE RATE DEMAND BONDS - PUBLIC PARKING PROJECT**  
**(Issued in 2006)**

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2010	465,000.00	52,058.00	517,058.00
2011	495,000.00	44,770.00	539,770.00
2012	520,000.00	38,502.00	558,502.00
	<b>\$1,480,000.00</b>	<b>\$135,330.00</b>	<b>\$1,615,330.00</b>

**FISCAL YEAR 2009-2010**  
**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: **\$20,545,000.00**  
*(June 30, 2009)*

DESCRIPTION:

PAYMENT DATES: January 1 and July 1

PAYMENT AGENT: US Bank

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%.

**DEBT SERVICE REQUIREMENTS**

	<b>FY 2007-08</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>
<b><u>REVENUE SOURCES</u></b>			
Transfer-in from General Fund	\$1,536,409.00	\$1,524,167.00	\$1,529,923.00
Interest Earnings	113,054.00	92,000.00	90,000.00
<b>TOTAL:</b>	<b>\$1,649,463.00</b>	<b>\$1,616,167.00</b>	<b>\$1,619,923.00</b>
<b><u>EXPENDITURES</u></b>			
Interest Expense	\$1,357,070.50	\$1,343,167.00	\$1,326,423.00
Principal payment	195,000.00	270,000.00	290,000.00
Administration and trustee fees	1,870.00	3,000.00	3,500.00
<b>TOTAL:</b>	<b>\$1,553,940.50</b>	<b>\$1,616,167.00</b>	<b>\$1,619,923.00</b>

**AMORTIZATION SCHEDULE**  
**2006 CERTIFICATES OF PARTICIPATION SERIES A, B**  
**(Issued in 2006)**

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2010	290,000.00	1,326,423.00	1,616,423.00
2011	305,000.00	1,308,632.50	1,613,632.50
2012	325,000.00	1,289,795.50	1,614,795.50
2013	345,000.00	1,269,762.50	1,614,762.50
2014	365,000.00	1,248,533.50	1,613,533.50
2015	385,000.00	1,226,108.50	1,611,108.50
2016	410,000.00	1,202,338.00	1,612,338.00
2017	435,000.00	1,177,072.50	1,612,072.50
2018	460,000.00	1,149,392.00	1,609,392.00
2019	490,000.00	1,119,087.00	1,609,087.00
2020	520,000.00	1,086,868.00	1,606,868.00
2021	550,000.00	1,052,735.00	1,602,735.00
2022	585,000.00	1,016,528.50	1,601,528.50
2023	625,000.00	977,929.50	1,602,929.50
2024	665,000.00	936,778.50	1,601,778.50
2025	705,000.00	893,075.50	1,598,075.50
2026	750,000.00	846,661.00	1,596,661.00
2027	800,000.00	797,216.00	1,597,216.00
2028	850,000.00	744,581.00	1,594,581.00
2029	905,000.00	688,596.50	1,593,596.50
2030	965,000.00	628,943.50	1,593,943.50
2031	1,025,000.00	563,940.00	1,588,940.00
2032	1,095,000.00	492,490.00	1,587,490.00
2033	1,170,000.00	415,480.00	1,585,480.00
2034	1,250,000.00	333,200.00	1,583,200.00
2035	1,330,000.00	245,480.00	1,575,480.00
2036	1,425,000.00	151,810.00	1,576,810.00
2037	1,520,000.00	51,680.00	1,571,680.00
	<b>\$20,545,000.00</b>	<b>\$24,241,138.00</b>	<b>\$44,786,138.00</b>

**FISCAL YEAR 2009-2010**  
**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: **\$3,370,000.00**  
*(June 30, 2009)*  
DESCRIPTION:  
PAYMENT DATES:  
PAYMENT AGENT:

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%.

January 1 and July 1

US Bank

**DEBT SERVICE REQUIREMENTS**

	<b>Projected</b>		
	<b>FY 2007-08</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>
<b><u>REVENUE SOURCES</u></b>			
Transfer-in from General Fund	\$284,902.00	\$284,838.00	\$289,413.00
Interest Earnings	15,487.00	7,600.00	7,400.00
<b>TOTAL:</b>	<b>\$300,389.00</b>	<b>\$292,438.00</b>	<b>\$296,813.00</b>
<b><u>EXPENDITURES</u></b>			
Interest Expense	\$152,603.15	\$147,438.00	\$141,813.00
Principal payment	135,000.00	145,000.00	155,000.00
Administration and trustee fees	330.00	-	-
<b>TOTAL:</b>	<b>\$287,933.15</b>	<b>\$292,438.00</b>	<b>\$296,813.00</b>

**AMORTIZATION SCHEDULE**  
**2006 CERTIFICATES OF PARTICIPATION SERIES C**  
**(Issued in 2006)**

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2010	155,000.00	141,812.51	296,812.51
2011	160,000.00	135,906.26	295,906.26
2012	165,000.00	129,606.26	294,606.26
2013	175,000.00	122,806.26	297,806.26
2014	175,000.00	115,696.88	290,696.88
2015	185,000.00	108,271.88	293,271.88
2016	190,000.00	100,418.76	290,418.76
2017	205,000.00	92,025.01	297,025.01
2018	210,000.00	83,075.01	293,075.01
2019	215,000.00	73,778.13	288,778.13
2020	230,000.00	63,900.00	293,900.00
2021	240,000.00	53,325.00	293,325.00
2022	250,000.00	42,300.00	292,300.00
2023	260,000.00	30,825.00	290,825.00
2024	270,000.00	18,900.00	288,900.00
2025	285,000.00	6,412.50	291,412.50
	<b>\$3,370,000.00</b>	<b>\$1,319,059.46</b>	<b>\$4,689,059.46</b>

**FISCAL YEAR 2009-2010  
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: **\$2,565,000.00**  
*(June 30, 2009)*

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**

	<b>FY 2007-08</b>	<b>Projected FY 2008-09</b>	<b>FY 2009-10</b>
<b><u>REVENUE SOURCES</u></b>			
Transfer-in from General Fund	\$250,513.42	\$245,413.00	\$241,325.00
Interest Earnings	8,686.89	8,500.00	8,500.00
<b>TOTAL:</b>	<b>\$259,200.31</b>	<b>\$253,913.00</b>	<b>\$249,825.00</b>
<b><u>EXPENDITURES</u></b>			
Trustee admin. services	\$3,150.86	\$4,088.00	\$750.00
Interest Expense	127,133.68	134,825.00	129,075.00
Principal payment	120,000.00	115,000.00	120,000.00
<b>TOTAL:</b>	<b>\$250,284.54</b>	<b>\$253,913.00</b>	<b>\$249,825.00</b>

**AMORTIZATION SCHEDULE**  
**2007A REFUNDING REVENUE BONDS**  
**(Issued in 2007)**

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2010	120,000.00	129,075.00	249,075.00
2011	125,000.00	123,075.00	248,075.00
2012	70,000.00	116,825.00	186,825.00
2013	75,000.00	113,325.00	188,325.00
2014	80,000.00	109,575.00	189,575.00
2015	80,000.00	105,575.00	185,575.00
2016	85,000.00	101,575.00	186,575.00
2017	90,000.00	97,325.00	187,325.00
2018	95,000.00	92,825.00	187,825.00
2019	100,000.00	88,075.00	188,075.00
2020	105,000.00	83,075.00	188,075.00
2021	110,000.00	77,825.00	187,825.00
2022	115,000.00	72,325.00	187,325.00
2023	120,000.00	66,575.00	186,575.00
2024	125,000.00	60,575.00	185,575.00
2025	130,000.00	54,325.00	184,325.00
2026	135,000.00	47,825.00	182,825.00
2027	145,000.00	41,075.00	186,075.00
2028	155,000.00	33,825.00	188,825.00
2029	160,000.00	25,881.25	185,881.25
2030	170,000.00	17,681.26	187,681.26
2031	175,000.00	8,968.76	183,968.76
<b>TOTAL</b>	<b>\$2,565,000.00</b>	<b>\$1,667,206.27</b>	<b>\$4,232,206.27</b>

**FISCAL YEAR 2009-2010  
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: **\$460,515.15**  
(June 30, 2009)

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 \$482,928.24 with an interest rate of 4.95% (2/26/2002). Besides, 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**

<u>REVENUE SOURCES</u>	<u>FY 2007-08</u>	<u>Projected FY 2008-09</u>	<u>FY 2009-10</u>
Transfer-in from General Fund	\$186,168.90	\$188,117.00	\$190,912.00
<b>TOTAL:</b>	<b>\$186,168.90</b>	<b>\$188,117.00</b>	<b>\$190,912.00</b>
<u>EXPENDITURES</u>	<u>FY 2007-08</u>	<u>Projected FY 2008-09</u>	<u>FY 2009-10</u>
Interest expense	\$29,466.96	\$24,102.00	\$18,475.00
Principal payment	156,701.94	164,015.00	172,437.00
<b>TOTAL:</b>	<b>\$186,168.90</b>	<b>\$188,117.00</b>	<b>\$190,912.00</b>

**AMORTIZATION SCHEDULE**  
**VIRON ENERGY PROJECT - LEASE AGREEMENT**  
**(Issued in 2002)**

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2010	171,637.96	18,462.94	190,100.90
2011	40,203.70	13,547.93	53,751.63
2012	45,604.47	11,471.49	57,075.96
2013	50,064.84	9,132.12	59,196.96
2014	153,004.18	4,762.65	157,766.83
<b>TOTAL</b>	<b>\$460,515.15</b>	<b>\$57,377.13</b>	<b>\$517,892.28</b>

**FISCAL YEAR 2009-2010  
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: **\$188,472.85**  
(June 30, 2009)

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 the interest rate is 6.950%. At the end of FY 08-09, the unpaid balance is \$17,356.72.  
2- On 7/02/2007, the City entered into a lease/purchase with Daimler Chrysler Truck Financial to acquire a 2007 Dodge for Police Department with an amount of \$31,328.72 and the interest rate is 5.560%. At the end of fiscal year 2008-09, the unpaid balance is \$13,690.40.  
3- On 2/05/2008, the City entered into a lease/purchase with Ford Motor Credit Company to acquire five (5) 2008 Dodge Chargers for Police Department with an amount of \$121,141.20 and the interest rate is 5.750%.  
4- On 11/30/2008, the City entered into a lease/purchase with Ford Motor Credit Company to acquire five (5) 2009 Dodge Chargers for Police Department with an amount of \$125,957.55 and the interest rate is 6.400%.  
At the end of FY 2008-09, the unpaid balance is \$95,158.08.

PAYMENT DATES: Semi-annually and Quarterly

PAYMENT AGENT: N/A

**DEBT SERVICE REQUIREMENTS**

	<b>FY 2007-08</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>
<b><u>REVENUE SOURCES</u></b>			
Transfer-in from General Fund	\$45,694.72	\$11,122.00	\$89,372
Transfer-in from Assets Seizure	8,557.71	0.00	\$11,411
Transfer-in from Handyman	6,998.40	11,410.00	\$6,998
<b>TOTAL:</b>	<b>\$61,250.83</b>	<b>\$22,532.00</b>	<b>\$107,781</b>
<b><u>EXPENDITURES</u></b>			
Interest expense	\$4,589.04	\$2,533.00	\$9,386
Principal payment	56,661.79	19,999.00	\$98,395
<b>TOTAL:</b>	<b>\$61,250.83</b>	<b>\$22,532.00</b>	<b>\$107,781</b>

**AMORTIZATION SCHEDULE  
COMBINED OTHER LEASE/PURCHASE AGREEMENTS  
(Various Issuances)**

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2010	98,395.22	9,385.62	107,780.84
2011	73,870.03	3,540.66	77,410.69
2012	16,207.60	320.53	16,528.13
<b>TOTAL</b>	<b>\$188,472.85</b>	<b>\$13,246.81</b>	<b>\$201,719.66</b>