

# DEBT SERVICE

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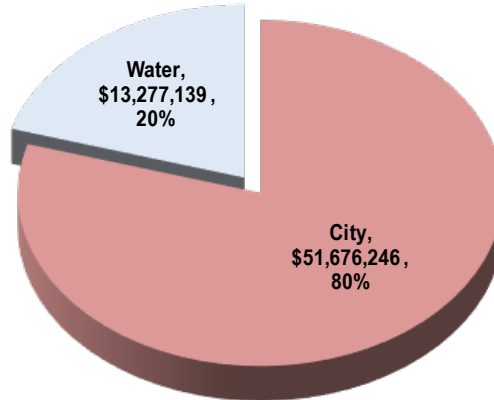
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**DEBT SERVICE**

**OVERALL DEBT OBLIGATIONS 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, 2020:

Estimated Principal Outstanding July 1, 2020



Included in this Debt Obligation Summary is information about external and internal debt obligations from Fiscal Year (FY) 2017-18 through the Fiscal Year 2020-21 Budget.

**Summary**

**2016 State Revolving Fund (SRF) Loan**

The 2016 State Revolving Fund (SRF) Loan provides financing for the construction of the reclaimed water pipeline distribution system. The loan will be repaid over a 30-year period at 1% interest, with repayment of principal and interest to begin one year after the completion of construction, which is estimated to be January 2021. Through FY 2019-20 it is estimated that \$7,600,000 will have been drawn against the \$9,946,413 available loan. More information about the reclaimed water pipeline project can be found in the Capital Improvement Program (CIP) section of this document.

**Ranchero Road Interchange Loan from SBCTA**

The Ranchero Road Interchange Loan from the San Bernardino County Transportation Authority (SBCTA), formerly San Bernardino Associated Governments (SANBAG), is related to the construction and financing of the Ranchero Road Interchange. After SBCTA's final reconciliation, the City's obligation was determined to be \$18,762,403, and the related 10-year repayment agreement was approved by the City Council on May 1, 2018. The first annual payment was made in March 2019 (FY 2018-19). More information about the interchange project can be found in the CIP section of this document.

**2014 Development Impact Fee (DIF) Loan From the General Fund**

Funding for the repayment of the 2013 Civic Plaza Refunding Lease Revenue Bonds, requires additional contributions from the Development Impact Fee (DIF) – Public Services Fund (87.25%) and General Fund (12.75%). However, revenues within the DIF – Public Services Fund are insufficient to contribute the full FY 2020-21 contribution amount of \$711,419. Existing DIF cash reserves and projected FY 2020-21 revenue will be utilized. Therefore, an increase of \$557,000 is needed in the General Fund loan to DIF, for a cumulative total loan amount of \$3,703,324 through FY 2020-21. Additional increases in the General Fund loan to DIF Public Services may be needed in future years until revenues are sufficient to cover DIF's percentage of the annual 2013 Civic Plaza debt service requirements.

## DEBT SERVICE

### OVERALL DEBT OBLIGATIONS SUMMARY (Continued)

#### 1998A Variable Rate Lease Revenue Refunding Bonds

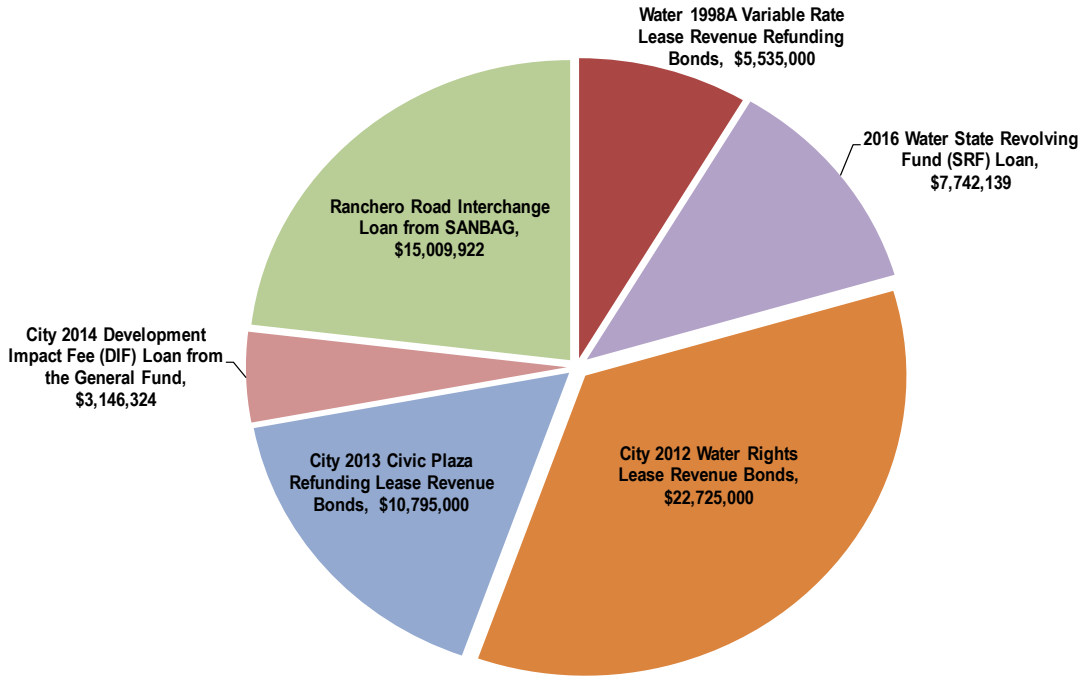
The letter of credit for the Water District 1998A Variable Rate Lease Revenue Bonds was renewed in 2018, with a three-year agreement through November 2021.

#### Water District 1992B Certificates of Participation (COPs) and 1998B Lease Revenue Refunding Bonds

During FY 2017-18, proceeds from the sale of Eagle Plaza facility were used to defease the Water District's 1992B COPs and 1998B Bonds, which together had financed the initial purchase of the building. While the COPs were not subject to optional prepayment prior to their maturity date of June 1, 2022, the Water District entered into an Escrow Deposit and Trust Agreement and deposited funds with the trustee sufficient to fund the repayment of the COPs through maturity. The 1998B Bonds, which also financed approximately half of the facility, were able to be retired prior to their maturity date of June 1, 2022 and were redeemed during FY 2017-18.

**DEBT SERVICE**

**DEBT OBLIGATION PRINCIPAL OUTSTANDING SUMMARY**



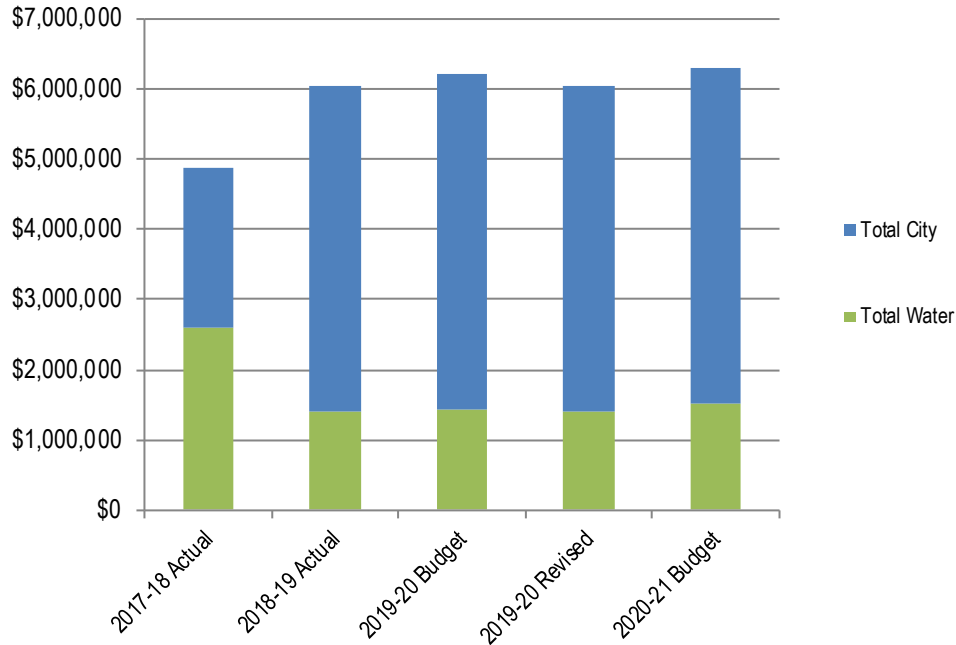
Estimated Principal Outstanding July 1, 2020

<u>Debt Service Principal Obligations</u>	<u>Original Principal Amount</u>	<u>Estimated Principal Outstanding July 1, 2020</u>	<u>Maturity Date</u>
<u>City of Hesperia</u>			
2012 Water Rights Lease Revenue Bonds	\$26,735,000	\$22,725,000	October 1, 2042
2013 Civic Plaza Refunding Lease Revenue Bonds	12,445,000	10,795,000	October 1, 2035
2014 Development Impact Fee (DIF) Loan from the General Fund	65,840	3,146,324	Undetermined
Rancho Road Interchange Loan from SBCTA*	<u>18,762,403</u>	<u>15,009,922</u>	March 2028
<b>Total City of Hesperia Principal Debt</b>	<b>\$58,008,243</b>	<b>\$51,676,246</b>	
<u>Hesperia Water District</u>			
1998A Variable Rate Lease Revenue Refunding Bonds	\$18,040,000	\$5,535,000	June 1, 2026
2016 State Revolving Fund (SRF) Loan	<u>Est. 9,946,413</u>	<u>Est. 7,742,139</u>	Est. Jan. 28, 2050
<b>Total Hesperia Water District Principal Debt</b>	<b>\$27,986,413</b>	<b>\$13,277,139</b>	
<b>Total Principal Debt Outstanding</b>	<b>\$85,994,656</b>	<b>\$64,953,385</b>	

\*Note: San Bernardino County Transportation Authority (SBCTA); formerly San Bernardino Associated Governments (SANBAG).

**DEBT SERVICE**

**FISCAL YEAR 2020-21 BUDGET TOTAL PRINCIPAL AND INTEREST DEBT SERVICE PAYMENTS**



	<b>2017-18 Actual</b>	<b>2018-19 Actual</b>	<b>2019-20 Budget</b>	<b>2019-20 Revised</b>	<b>2020-21 Budget</b>
<u>City of Hesperia</u>					
Principal	\$ 875,000	\$2,806,240	\$2,861,240	\$2,861,240	\$2,916,240
Interest and Admin Fees	1,396,977	1,818,860	1,936,725	1,771,619	1,850,772
<b>Total City</b>	<b>\$2,271,977</b>	<b>\$4,625,100</b>	<b>\$4,797,965</b>	<b>\$4,632,859</b>	<b>\$4,767,012</b>
<u>Hesperia Water District</u>					
Principal	\$1,945,000	\$ 840,000	\$ 875,000	\$ 875,000	\$1,052,575
Interest and Admin Fees	644,417	576,196	546,875	532,562	473,250
<b>Total Water</b>	<b>\$2,589,417</b>	<b>\$1,416,196</b>	<b>\$1,421,875</b>	<b>\$1,407,562</b>	<b>\$1,525,825</b>
<u>Total All Funds</u>					
Principal	\$2,820,000	\$3,646,240	\$3,736,240	\$3,736,240	\$3,968,815
Interest and Admin Fees	2,041,394	2,395,056	2,483,600	2,304,181	2,324,022
<b>Total Debt Service Payments</b>	<b>\$4,861,394</b>	<b>\$6,041,296</b>	<b>\$6,219,840</b>	<b>\$6,040,421</b>	<b>\$6,292,837</b>

**DEBT SERVICE**

**ANNUAL DEBT SERVICE PAYMENTS BY OBLIGATION AND FUND**

**In Chronological Order**

	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2019-20</b>	<b>2020-21</b>
	<b><u>Actual</u></b>	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>Revised</u></b>	<b><u>Budget</u></b>
<b><u>City of Hesperia</u></b>					
<b><u>2012 Water Rights Lease Revenue Bonds</u></b>					
Principal	\$600,000	\$625,000	\$650,000	\$650,000	\$675,000
Interest	838,675	814,175	788,675	788,675	762,175
Admin/Other Costs	6,066	2,725	4,500	2,725	4,000
Total	<u>\$1,444,741</u>	<u>\$1,441,900</u>	<u>\$1,443,175</u>	<u>\$1,441,400</u>	<u>\$1,441,175</u>
<b><u>2013 Civic Plaza Refunding Lease</u></b>					
<b><u>Revenue Bonds</u></b>					
Principal	\$275,000	\$305,000	\$335,000	\$335,000	\$365,000
Interest	521,650	510,050	497,250	497,250	483,250
Admin/Other Costs	4,316	5,225	4,500	2,725	4,000
Total	<u>\$800,966</u>	<u>\$820,275</u>	<u>\$836,750</u>	<u>\$834,975</u>	<u>\$852,250</u>
<b><u>2014 Development Impact Fee (DIF)</u></b>					
<b><u>Loan From General Fund</u></b>					
Principal	\$0	\$0	\$0	\$0	\$0
Interest	26,270	55,978	93,000	64,000	72,000
Admin/Other Costs	0	0	0	0	0
Total	<u>\$26,270</u>	<u>\$55,978</u>	<u>\$93,000</u>	<u>\$64,000</u>	<u>\$72,000</u>
<b><u>Ranchero Road Interchange Loan from</u></b>					
<b><u>SBCTA*</u></b>					
Principal	\$0	\$1,876,240	\$1,876,240	\$1,876,240	\$1,876,240
Interest	0	427,957	548,800	416,244	525,347
Admin/Other Costs	0	2,750	0	0	0
Total	<u>\$0</u>	<u>\$2,306,947</u>	<u>\$2,425,040</u>	<u>\$2,292,484</u>	<u>\$2,401,587</u>
<b><u>Total City of Hesperia Funds</u></b>					
Principal	\$875,000	\$2,806,240	\$2,861,240	\$2,861,240	\$2,916,240
Interest	1,386,595	1,808,160	1,927,725	1,766,169	1,842,772
Admin/Other Costs	10,382	10,700	9,000	5,450	8,000
Total	<u>\$2,271,977</u>	<u>\$4,625,100</u>	<u>\$4,797,965</u>	<u>\$4,632,859</u>	<u>\$4,767,012</u>

\*Note: San Bernardino County Transportation Authority (SBCTA); formerly San Bernardino Associated Governments (SANBAG).

**DEBT SERVICE**

**ANNUAL DEBT SERVICE PAYMENTS BY OBLIGATION AND FUND (Continued)**

In Chronological Order

	2017-18 Actual	2018-19 Actual	2019-20 Budget	2019-20 Revised	2020-21 Budget
<b><u>Hesperia Water District</u></b>					
<u>1992 B Certificates of Participation</u>					
Principal	\$535,000	\$0	\$0	\$0	\$0
Interest	0	0	0	0	0
Admin/Other Costs	4,311	0	0	0	0
Total	* \$539,311	\$0	\$0	\$0	\$0
<u>1998 A Variable Rate Lease Revenue</u>					
<u>Refunding Bonds</u>					
Principal	\$810,000	\$840,000	\$875,000	\$875,000	\$830,000
Interest	501,795	452,829	431,875	419,000	293,725
Admin/Other Costs	133,024	123,367	115,000	113,562	102,100
Total	\$1,444,819	\$1,416,196	\$1,421,875	\$1,407,562	\$1,225,825
<u>1998 B Variable Rate Lease Revenue</u>					
<u>Refunding Bonds</u>					
Principal	\$600,000	\$0	\$0	\$0	\$0
Interest	2,442	0	0	0	0
Admin/Other Costs	2,845	0	0	0	0
Total	* \$605,287	\$0	\$0	\$0	\$0
<u>2016 State Revolving Fund (SRF) Loan</u>					
Principal	\$0	\$0	\$0	\$0	\$222,575
Interest	0	0	0	0	77,425
Admin/Other Costs	0	0	0	0	0
Total	\$0	\$0	\$0	\$0	\$300,000
<b><u>Total Hesperia Water District</u></b>					
Principal	\$1,945,000	\$840,000	\$875,000	\$875,000	\$1,052,575
Interest	504,237	452,829	431,875	419,000	371,150
Admin/Other Costs	140,180	123,367	115,000	113,562	102,100
Total	\$ 2,589,417	\$1,416,196	\$ 1,421,875	\$1,407,562	\$1,525,825
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.					
*Note - This debt obligation was defeased during FY 2017-18.					
<b><u>Total All Funds</u></b>					
Principal	\$2,820,000	\$3,646,240	\$3,736,240	\$3,736,240	\$3,968,815
Interest	1,890,832	2,260,989	2,359,600	2,185,169	2,213,922
Admin/Other Costs	150,562	134,067	124,000	119,012	110,100
Total	\$4,861,394	\$6,041,296	\$6,219,840	\$6,040,421	\$6,292,837



**DEBT SERVICE**

**INDIVIDUAL DEBT OBLIGATION SUMMARIES**

This section summarizes the individual debt service obligations of the City included in the Fiscal Year 2020-21 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**

<b><u>City of Hesperia</u></b>	<b><u>Page</u></b>
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**DEBT SERVICE**

**INDIVIDUAL DEBT OBLIGATION SUMMARIES**

**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, 2017	\$ 24,600,000
July 1, 2018	\$ 24,000,000
July 1, 2019	\$ 23,375,000
Estimated July 1, 2020	\$ 22,725,000

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

Maturity Date: October 1, 2042

Funding Sources: General Fund

<u>Payment Amount</u>	2017-18 <u>Actual</u>	2018-19 <u>Actual</u>	2019-20 <u>Budget</u>	2019-20 <u>Revised</u>	2020-21 <u>Budget</u>
Principal Amount	\$ 600,000	\$ 625,000	\$ 650,000	\$ 650,000	\$ 675,000
Interest Amount	838,675	814,175	788,675	788,675	762,175
Admin/Other Costs	<u>6,066</u>	<u>2,725</u>	<u>4,500</u>	<u>2,725</u>	<u>4,000</u>
Total	\$1,444,741	\$1,441,900	\$1,443,175	\$1,441,400	\$1,441,175

**Analysis and Recommendation**

This obligation will be paid according to the debt service schedule. The next arbitrage rebate calculation will be performed October 2022.

**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, 2017	\$11,710,000
July 1, 2018	\$11,435,000
July 1, 2019	\$11,130,000
Estimated July 1, 2020	\$10,795,000

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>	2017-18 <u>Actual</u>	2018-19 <u>Actual</u>	2019-20 <u>Budget</u>	2019-20 <u>Revised</u>	2020-21 <u>Budget</u>
Principal Amount	\$275,000	\$305,000	\$335,000	\$335,000	\$365,000
Interest Amount	521,650	510,050	497,250	497,250	483,250
Admin/Other Costs	<u>4,316</u>	<u>5,225</u>	<u>4,500</u>	<u>2,725</u>	<u>4,000</u>
Total	\$800,966	\$820,275	\$836,750	\$834,975	\$852,250

**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%. The next arbitrage rebate calculation will be performed October 2023.

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\*

\*Note: During FY 2014-15, the initial loan amount was \$65,840 but was increased by \$88,680 to \$154,520 due to an extension of the "Development Impact Fee Reduction Program".

Principal Outstanding Balance as of:

July 1, 2017	\$1,520,637
July 1, 2018	\$2,000,324
July 1, 2019	\$2,650,324
Estimated July 1, 2020	\$3,146,324

Note - Accretion of the loan by fiscal year:

<u>Fiscal Year</u>	<u>Accretion</u>	<u>Outstanding at 6/30</u>
2013-14		\$ 0
2014-15	\$154,520	\$ 154,520
2015-16	\$677,584	\$ 832,104
2016-17	\$688,533	\$1,520,637
2017-18	\$479,687	\$2,000,324
2018-19	\$650,000	\$2,650,324
2019-20	\$496,000	\$3,146,324
2020-21	\$557,000	\$3,703,324

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

Maturity Date: Ongoing until sufficient DIF funds are available

Funding Sources: DIF – Public Services

	2017-18	2018-19	2019-20	2019-20	2020-21
<u>Payment Amount</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Revised</u>	<u>Budget</u>
Principal Amount	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest Amount	26,270	55,978	93,000	64,000	72,000
Admin/Other Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$26,270	\$55,978	\$93,000	\$64,000	\$72,000

**Analysis and Recommendation**

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

The combined DIF Public Services and DIF City Hall Funds are projected to have insufficient funds for the FY 2020-21 needed contribution of \$711,419. Existing DIF cash reserves and anticipated FY 2020-21 DIF revenue will be utilized. Therefore, an increase of \$557,000 is needed in the General Fund Loan to DIF Public Services/City Hall, for a cumulative total loan amount of \$3,703,324 through FY 2020-21. Depending upon the level of DIF Public Services revenue in the future, additional loans from the General Fund may be needed in future years.

**DEBT SERVICE**

**INDIVIDUAL DEBT OBLIGATION SUMMARIES (Continued)**

**City – Rancho Road Interchange Loan from SBCTA**

Purpose/History: In April 2014, the City entered into a Construction Cooperative Agreement with the San Bernardino Associated Governments (SANBAG), which is now known as San Bernardino County Transportation Authority (SBCTA), for the construction and financing of the Rancho Road Interchange, and the related Term Loan Agreement was approved by the City Council on May 1, 2018. These agreements identify the funding responsibility as (42.5%) SBCTA share and (57.5%) the City’s share, in addition to the City’s responsibility for 100% of SBCTA management and oversight costs.

These agreements specify that the City’s portion of the project cost is due at completion of the project and any amounts unpaid at that time would be converted to a loan to the City by SBCTA. After SBCTA’s final reconciliation, the City’s obligation was determined to be \$18,762,403.05. This ten (10) year loan includes interest calculated at the Local Agency Investment Fund (LAIF) rate, with the first payment due by March 15, 2019 and subsequent payments due each March 15<sup>th</sup> thereafter. The repayment source is Streets Development Impact Fees (DIF). In the event that there are insufficient Streets DIF funds available to pay the annual loan installment, SBCTA will withhold funds from the City’s Measure I allocation. Any withholding from Measure I related to the loan agreement would create a loan between Measure I and Streets DIF that would be repaid by DIF.

Original Principal Amount: \$18,762,403.05

Principal Outstanding Balance as of:

July 1, 2017	\$	*0
July 1, 2018	\$18,762,403	
July 1, 2019	\$16,886,163	
Estimated July 1, 2020	\$15,009,922	

\*Note – Actual amount of the City’s obligation was not determined by SBCTA until FY 2017-18 and approved by the City Council on May 1, 2018.

Interest Rate: Variable; at the Local Agency Investment Fund (LAIF) rate

Maturity Date: Annual payments beginning March 2019, with full repayment expected March 2028.

Funding Sources: Streets Development Impact Fee (DIF). In the event that Streets DIF funds are insufficient to pay the annual loan installment, SBCTA will withhold funds from the City’s Measure I allocation. This withholding from Measure I will create a loan between Measure I and Streets DIF that will be repaid from Street DIF revenues.

<u>Payment Amount</u>	2017-18 <u>Actual</u>	2018-19 <u>Actual</u>	2019-20 <u>Budget</u>	2019-20 <u>Revised</u>	2020-21 <u>Budget</u>
Principal Amount	\$ 0	\$1,876,240	\$1,876,240	\$1,876,240	\$1,876,240
Interest Amount	0	427,957	548,800	416,244	525,347
Admin/Other Costs	<u>0</u>	<u>2,750</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 0	\$2,306,947	\$2,425,040	\$2,292,484	\$2,401,587

## DEBT SERVICE

### INDIVIDUAL DEBT OBLIGATION SUMMARIES (Continued)

#### City – Rancho Road Interchange Loan from SBCTA (Continued)

\*\*Note – Per the SBCTA Term Loan Agreement and Amendment I, the first installment payment (occurring during FY 2018-19) includes interest accrued from 9/19/17 (date of final project cost reconciliation) through 12/31/18. Future interest payments will be made annually.

#### Analysis and Recommendation

Annual payments began March 2019, with full repayment expected March 2028.

**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, 2017	\$ 535,000
July 1, 2018	\$ 0*

Interest Rate: 9%

Maturity Date: The Certificates mature June 1, 2022; however due to the sale of Eagle Plaza, the debt was defeased during FY 2017-18.

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>	<u>2017-18 Actual</u>	<u>2018-19 Actual</u>	<u>2019-20 Budget</u>	<u>2019-20 Revised</u>	<u>2020-21 Budget</u>
Principal Amount	*\$535,000	\$ 0	\$ 0	\$ 0	\$ 0
Interest Amount	0	0	0	0	0
Admin/Other Costs	<u>4,311</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$539,311	\$ 0	\$ 0	\$ 0	\$ 0

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**

The 1992B Certificates of Participation (COPs) were defeased during FY 2017-18, as a result of the sale of the Eagle Plaza facility. While the COPs are not subject to optional prepayment prior to their maturity date of June 1, 2022, the Water District entered into an Escrow Deposit and Trust Agreement with the trustee and deposited funds sufficient to pay off the COPs through maturity. The placement of these funds with the trustee enables the trustee to make the full principal and interest payments as they come due through their maturity in June 2022.

\*Note – The Certificates of Participation were defeased during FY 2017-18.

**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, 2017	\$ 8,060,000
July 1, 2018	\$ 7,250,000
July 1, 2019	\$ 6,410,000
Estimated July 1, 2020	\$ 5,535,000

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. During FY 2019-20, the 5.96% fixed rate \$10,000,000 swap agreement concluded, resulting in a variable rate for the remaining term of the bonds.

Maturity Date: June 1, 2026

Funding Source: Hesperia Water District – Taxes and User Fees

<u>Payment Amount</u>	2017-18 <u>Actual</u>	2018-19 <u>Actual</u>	2019-20 <u>Budget</u>	2019-20 <u>Revised</u>	2020-21 <u>Budget</u>
Principal Amount	\$ 810,000	\$ 840,000	\$ 875,000	\$ 875,000	\$ 830,000
Interest Amount	501,795	452,829	431,875	419,000	293,725
Admin/Other Costs	<u>133,024</u>	<u>123,367</u>	<u>115,000</u>	<u>113,562</u>	<u>102,100</u>
Total	\$1,444,819	\$1,416,196	\$1,421,875	\$1,407,562	\$1,225,825

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. During FY 2019-20, the 5.96% fixed rate \$10,000,000 swap agreement concluded, resulting in a variable rate for the remaining term of the bonds. The letter of credit, which is in effect through November 2021, 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, 2017	\$ 600,000
July 1, 2018	\$ 0*

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.

\*Note – The 1998B Bonds were defeased and redeemed during FY 2017-18.

Interest Rate: Variable.

Maturity Date: Original maturity date was June 1, 2022; however due to the sale of Eagle Plaza, the debt was defeased and redeemed during FY 2017-18.

Funding Source: Hesperia Water District – Taxes and User Fees

<u>Payment Amount</u>	2017-18 <u>Actual</u>	2018-19 <u>Actual</u>	2019-20 <u>Budget</u>	2019-20 <u>Revised</u>	2020-21 <u>Budget</u>
Principal Amounts	\$600,000	\$ 0	\$ 0	\$ 0	\$ 0
Interest Amount	2,442	0	0	0	0
Admin/Other Costs	<u>2,845</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$605,287	\$ 0	\$ 0	\$ 0	\$ 0

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**

The 1998B Bonds were defeased and redeemed during FY 2017-18, as a result of the sale of the Eagle Plaza Facility.

**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. The District received notification of State approval on September 28, 2016. Of the \$14,673,750 requested, the agreement provides for a \$4,727,337 Grant, with the remaining \$9,946,413 in the form of a loan at a 1% interest rate. Interest will accrue beginning with the first disbursement of funds, and repayment of principal and interest will begin one year after completion of construction.

Original Principal Amount: Estimated at \$9,946,413

Principal Outstanding Balance as of:

July 1, 2017	\$0
July 1, 2018	\$2,133,704
July 1, 2019	\$4,455,704
Estimated July 1, 2020	\$7,742,139*

\*Note – Estimated balance includes estimated total draws of \$7,600,000 plus estimated accumulated interest of \$142,139.

Interest Rate: 1%

Maturity Date: Est. 2050; Term not to exceed 30 years.

Funding Source: Pledge of Water District Net Revenues

<u>Payment Amount</u>	<u>2017-18 Actual</u>	<u>2018-19 Budget</u>	<u>2019-20 Budget</u>	<u>2019-20 Revised</u>	<u>2020-21 Budget</u>
Principal Amounts	\$ 0	\$ 0	\$ 0	\$ 0	\$222,575
Interest Amount	0	0	0	0	77,425
Admin/Other Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$300,000

**Analysis and Recommendation:**

Repayment will begin in Fiscal Year 2020-21, with interest calculated beginning with the first disbursement of funds (September 2017).

**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>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Total assessed value of all real and personal property	\$ 5,330,416,569	\$ 5,678,643,522	\$ 6,009,786,993	\$ 6,463,913,012
Debt limit percentage (1)	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>
Total debt limit	799,562,485	851,796,528	901,468,049	969,586,952
Amount of debt applicable to debt limit	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Legal debt margin	\$ 799,562,485	\$ 851,796,528	\$ 901,468,049	\$ 969,586,952
Percent of Debt Limit Authorized	0%	0%	0%	0%

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

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