

# DEBT SERVICE

- *Overall Debt Obligations Summary*
- *Debt Obligations Principal Outstanding Summary*
- *Fiscal Year 2022-23 Budget Total Principal and Interest Debt Service Payments*
- *Annual Debt Service Payments by Obligation and Fund*
- *Individual Debt Obligation Summaries*
- *Computation of Legal Debt Margin*

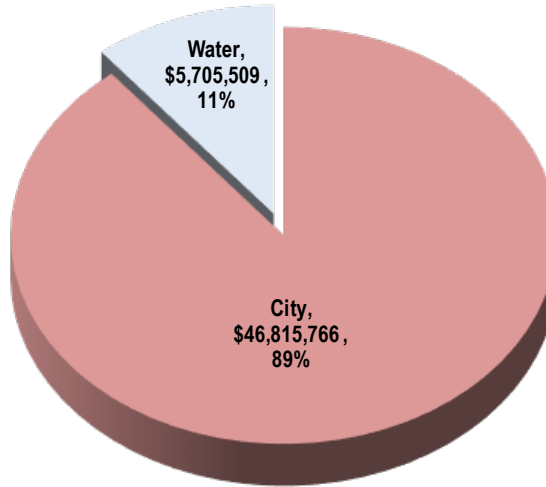
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**DEBT SERVICE**

**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, 2022:

Estimated Principal Outstanding July 1, 2022



Included in this Debt Obligation Summary is information about external and internal debt obligations from Fiscal Year (FY) 2019-20 through the FY 2022-23 Budget.

**Summary**

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

Funding for the repayment of the 2013 Civic Plaza Refunding Lease Revenue Bonds, requires annual contributions from the Development Impact Fee (DIF) – Public Services Fund (87.25%) and General Fund (12.75%). Due to the historical uncertainty in the timing of the receipt of DIF fees for projects in the development process, an increase of \$870,000 was budgeted in FY 2021-22 for the General Fund Loan to DIF 2018-City Hall, for an anticipated cumulative loan amount of \$4,573,324 through FY 2021-22. However, based upon FY 2021-22 DIF revenues, funding was available to repay \$400,000 to the General Fund at year-end FY 2021-22, while also leaving the fund with sufficient reserves to make the required FY 2022-23 debt service contribution without the need for assistance from the General Fund in FY 2022-23. Depending upon the level of DIF City Hall Facilities revenue in the future, additional loans from the General Fund may be needed in future years.

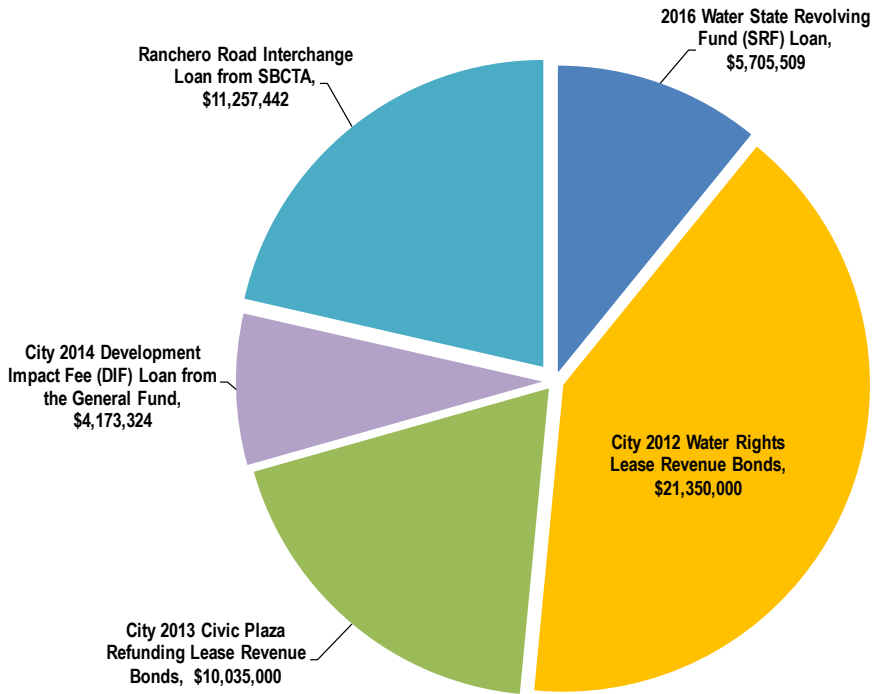
**1998A Variable Rate Lease Revenue Refunding Bonds – Early Retirement**

On July 2, 1998, the Water District issued the 1998A Variable Rate Lease Revenue Refunding Bonds, the proceeds of which were used to finance improvements to the Water District's water system. The 1998A Bonds were variable rate bonds supported by a letter of credit, along with other annual administration costs for services including remarketing agent fees, trustee fees, and rating agency costs.

During FY 2020-21, an analysis was performed that estimated the costs to administer the bonds through the stated maturity of June 2026. This analysis identified that an estimated savings of \$498,733 could be achieved if the bonds were to be retired early. On September 15, 2020, the Water District Board of Directors approved the use of existing Water District funds to defease and redeem the outstanding 1998A Bonds, approximately six years earlier than the stated maturity date.

**DEBT SERVICE**

**DEBT OBLIGATION PRINCIPAL OUTSTANDING SUMMARY**



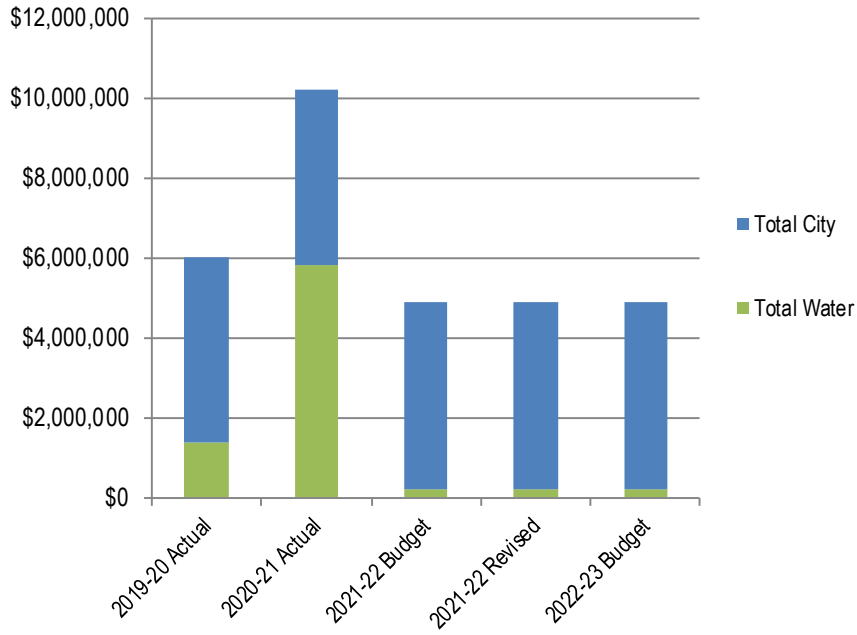
Estimated Principal Outstanding July 1, 2022

<u>Debt Service Principal Obligations</u>	<u>Original Principal Amount</u>	<u>Estimated Principal Outstanding July 1, 2022</u>	<u>Maturity Date</u>
<u>City of Hesperia</u>			
2012 Water Rights Lease Revenue Bonds	\$26,735,000	\$21,350,000	October 1, 2042
2013 Civic Plaza Refunding Lease Revenue Bonds	12,445,000	10,035,000	October 1, 2035
2014 Development Impact Fee (DIF) Loan from the General Fund	65,840	4,173,324	Undetermined
Rancho Road Interchange Loan from SBCTA*	<u>18,762,403</u>	<u>11,257,442</u>	March 2028
<b>Total City of Hesperia Principal Debt</b>	<b>\$58,008,243</b>	<b>\$46,815,766</b>	
<u>Hesperia Water District</u>			
2016 State Revolving Fund (SRF) Loan	<u>\$6,060,574</u>	<u>\$5,705,509</u>	January 28, 2050
<b>Total Hesperia Water District Principal Debt</b>	<b>\$6,060,574</b>	<b>\$5,705,509</b>	
<b>Total Principal Debt Outstanding</b>	<b>\$64,068,817</b>	<b>\$52,521,275</b>	

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

**DEBT SERVICE**

**FISCAL YEAR 2022-23 BUDGET TOTAL PRINCIPAL AND INTEREST DEBT SERVICE PAYMENTS**



	<b>2019-20 Actual</b>	<b>2020-21 Actual</b>	<b>2021-22 Budget</b>	<b>2021-22 Revised</b>	<b>2022-23 Budget</b>
<u>City of Hesperia</u>					
Principal	\$2,861,240	\$ 2,916,240	\$ 2,971,240	\$3,371,240	\$3,031,240
Interest and Admin Fees	1,766,908	1,455,574	1,689,735	1,266,373	1,647,235
<b>Total City</b>	<b>\$4,628,148</b>	<b>\$ 4,371,814</b>	<b>\$ 4,660,975</b>	<b>\$4,637,613</b>	<b>\$4,678,475</b>
<u>Hesperia Water District</u>					
Principal	\$ 875,000	\$ 5,714,243	\$ 175,823	\$ 175,823	\$ 177,581
Interest and Admin Fees	528,041	123,178	58,813	58,813	57,055
<b>Total Water</b>	<b>\$1,403,041</b>	<b>\$ 5,837,421</b>	<b>\$ 234,636</b>	<b>\$ 234,636</b>	<b>\$ 234,636</b>
<u>Total All Funds</u>					
Principal	\$3,736,240	\$ 8,630,483	\$ 3,147,063	\$3,547,063	\$3,208,821
Interest and Admin Fees	2,294,949	1,578,752	1,748,548	1,325,186	1,704,290
<b>Total Debt Service Payments</b>	<b>\$6,031,189</b>	<b>\$ 10,209,235</b>	<b>\$ 4,895,611</b>	<b>\$4,872,249</b>	<b>\$4,913,111</b>

Note: Budgetary Basis Adjustment – Principal repayments related to the 2014 Development Impact Fee (DIF) Loan From the General Fund are reflected as Advances To/From in the Annual Comprehensive Financial Report. For purposes of the debt section, repayments are shown as a principal expenditure; however, the repayment is actually a transfer of funds and is identified in the City Operating Funds Budgeted Transfers on page D-10, not as an expenditure.

**DEBT SERVICE**

**ANNUAL DEBT SERVICE PAYMENTS BY OBLIGATION AND FUND  
In Chronological Order**

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2021-22</u>	<u>2022-23</u>
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Revised</u>	<u>Budget</u>
<b><u>City of Hesperia</u></b>					
<b><u>2012 Water Rights Lease Revenue Bonds</u></b>					
Principal	\$650,000	\$675,000	\$700,000	\$700,000	\$730,000
Interest	788,675	762,175	734,675	734,675	706,075
Admin/Other Costs	2,725	2,190	4,000	2,542	6,000
Total	<u>\$1,441,400</u>	<u>\$1,439,365</u>	<u>\$1,438,675</u>	<u>\$1,437,217</u>	<u>\$1,442,075</u>
<b><u>2013 Civic Plaza Refunding Lease</u></b>					
<b><u>Revenue Bonds</u></b>					
Principal	\$335,000	\$365,000	\$395,000	\$395,000	\$425,000
Interest	497,250	483,250	468,050	468,050	451,650
Admin/Other Costs	2,725	2,190	4,000	3,041	4,500
Total	<u>\$834,975</u>	<u>\$850,440</u>	<u>\$867,050</u>	<u>\$866,091</u>	<u>\$881,150</u>
<b><u>2014 Development Impact Fee (DIF)</u></b>					
<b><u>Loan From General Fund</u></b>					
Principal	\$0	\$0	\$0	\$400,000	\$0
Interest	59,289	19,270	85,000	17,350	85,000
Admin/Other Costs	0	0	0	0	0
Total	<u>\$59,289</u>	<u>\$19,270</u>	<u>\$85,000</u>	<u>\$417,350</u>	<u>\$85,000</u>
<b><u>Ranchero Road Interchange Loan from</u></b>					
<b><u>SBCTA</u></b>					
Principal	\$1,876,240	\$1,876,240	\$1,876,240	\$1,876,240	\$1,876,240
Interest	416,244	186,499	394,010	40,715	394,010
Admin/Other Costs	0	0	0	0	0
Total	<u>\$2,292,484</u>	<u>\$2,062,739</u>	<u>\$2,270,250</u>	<u>\$1,916,955</u>	<u>\$2,270,250</u>
<b><u>Total City of Hesperia Funds</u></b>					
Principal	\$2,861,240	\$2,916,240	\$2,971,240	\$3,371,240	\$3,031,240
Interest	1,761,458	1,451,194	1,681,735	1,260,790	1,636,735
Admin/Other Costs	5,450	4,380	8,000	5,583	10,500
Total	<u>\$4,628,148</u>	<u>\$4,371,814</u>	<u>\$4,660,975</u>	<u>\$4,637,613</u>	<u>\$4,678,475</u>

Note: Budgetary Basis Adjustment – Principal repayments related to the 2014 Development Impact Fee (DIF) Loan From the General Fund are reflected as Advances To/From in the Annual Comprehensive Financial Report. For purposes of the debt section, repayments are shown as a principal expenditure; however, the repayment is actually a transfer of funds and is identified in the City Operating Funds Budgeted Transfers on page D-10, not as an expenditure.

DEBT SERVICE

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

In Chronological Order

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2021-22</u>	<u>2022-23</u>
	Actual	Actual	Budget	Revised	Budget
<b><u>Hesperia Water District</u></b>					
<u>1998 A Variable Rate Lease Revenue</u>					
<u>Refunding Bonds</u>					
Principal	\$875,000	\$5,535,000	\$0	\$0	\$0
Interest	413,944	4,535	0	0	0
Admin/Other Costs	114,097	63,250	0	0	0
Total	<u>\$1,403,041</u>	<u>\$5,602,785</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>2016 State Revolving Fund (SRF) Loan</u>					
Principal	\$0	\$179,243	\$175,823	\$175,823	\$177,581
Interest	0	55,393	58,813	58,813	57,055
Admin/Other Costs	0	0	0	0	0
Total	<u>\$0</u>	<u>\$234,636</u>	<u>\$234,636</u>	<u>\$234,636</u>	<u>\$234,636</u>
<b><u>Total Hesperia Water District</u></b>					
Principal	\$875,000	\$5,714,243	\$175,823	\$175,823	\$177,581
Interest	413,944	59,928	58,813	58,813	57,055
Admin/Other Costs	114,097	63,250	0	0	0
Total	<u>\$ 1,403,041</u>	<u>\$5,837,421</u>	<u>\$234,636</u>	<u>\$234,636</u>	<u>\$234,636</u>
Note: Budgetary Basis Adjustment - For budgetary purposes, the Water District principal payments are reflected in the actual columns, whereas the Annual Comprehensive Financial Report reflects a reduction in the liability. Also, the Annual Comprehensive Financial Report shows the interest accrual, as well as the amortization of discounts and deferred charges, whereas the budget does not.					
<b><u>Total All Funds</u></b>					
Principal	<b>\$3,736,240</b>	<b>\$8,630,483</b>	<b>\$3,147,063</b>	<b>\$3,547,063</b>	<b>\$3,208,821</b>
Interest	<b>2,175,402</b>	<b>1,511,122</b>	<b>1,740,548</b>	<b>1,319,603</b>	<b>1,693,790</b>
Admin/Other Costs	<b>119,547</b>	<b>67,630</b>	<b>8,000</b>	<b>5,583</b>	<b>10,500</b>
Total	<b><u>\$6,031,189</u></b>	<b><u>\$10,209,235</u></b>	<b><u>\$4,895,611</u></b>	<b><u>\$4,872,249</u></b>	<b><u>\$4,913,111</u></b>

Note: Budgetary Basis Adjustment – Principal repayments related to the 2014 Development Impact Fee (DIF) Loan From the General Fund are reflected as Advances To/From in the Annual Comprehensive Financial Report. For purposes of the debt section, repayments are shown as a principal expenditure; however, the repayment is actually a transfer of funds and is identified in the City Operating Funds Budgeted Transfers on page D-10, not as an expenditure.

**DEBT SERVICE**

**INDIVIDUAL DEBT OBLIGATION SUMMARIES**

This section summarizes the individual debt service obligations of the City included in the Fiscal Year 2022-23 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>
1.	2012 Lease Revenue Bonds.....	H-9
2.	2013 Civic Plaza Refunding Lease Revenue Bonds.....	H-10
3.	2014 Development Impact Fee (DIF) Loan from General Fund.....	H-11
4.	Ranchero Road Interchange Loan from SBCTA.....	H-13
 <b><u>Hesperia Water District</u></b>		
5.	1998A Variable Rate Lease Revenue Refunding Bonds.....	H-15
6.	2016 State Revolving Fund (SRF) Loan.....	H-16



**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, 2019	\$23,375,000
July 1, 2020	\$22,725,000
July 1, 2021	\$22,050,000
Estimated July 1, 2022	\$21,350,000

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

Maturity Date: October 1, 2042

Funding Sources: General Fund

S & P Rating: A (Standard & Poor)

<u>Payment Amount</u>	2019-20 <u>Actual</u>	2020-21 <u>Actual</u>	2021-22 <u>Budget</u>	2021-22 <u>Revised</u>	2022-23 <u>Budget</u>
Principal Amount	\$ 650,000	\$ 675,000	\$ 700,000	\$ 700,000	\$ 730,000
Interest Amount	788,675	762,175	734,675	734,675	706,075
Admin/Other Costs	<u>2,725</u>	<u>2,190</u>	<u>4,000</u>	<u>2,542</u>	<u>6,000</u>
Total	\$1,441,400	\$1,439,365	\$1,438,675	\$1,437,217	\$1,442,075

**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, 2019	\$11,130,000
July 1, 2020	\$10,795,000
July 1, 2021	\$10,430,000
Estimated July 1, 2022	\$10,035,000

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)

S & P Rating: AA (Standard & Poor)

<u>Payment Amount</u>	2019-20 <u>Actual</u>	2020-21 <u>Actual</u>	2021-22 <u>Budget</u>	2021-22 <u>Revised</u>	2022-23 <u>Budget</u>
Principal Amount	\$335,000	\$365,000	\$395,000	\$395,000	\$425,000
Interest Amount	497,250	483,250	468,050	468,050	451,650
Admin/Other Costs	<u>2,725</u>	<u>2,190</u>	<u>4,000</u>	<u>3,041</u>	<u>4,500</u>
Total	\$834,975	\$850,440	\$867,050	\$866,091	\$881,150

**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, Development Impact Fees (DIF) will continue to fund 87.25% of the debt service, with the General Fund contributing the remaining 12.75%. As of FY 2021-22, the General Fund has prefunded the remaining share of General Fund contributions in order to build upon reserves. The next arbitrage rebate calculation will be performed October 2023 (FY 2022-23).

If needed, 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/City Hall Facilities – 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, 2019	\$2,650,324
July 1, 2020	\$3,146,324
July 1, 2021	\$3,703,324
Estimated July 1, 2022	\$4,173,324

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
2021-22	*\$470,000	\$4,173,324
2022-23	\$0	\$4,173,324

\*Note – FY 2021-22 Budgeted accretion of \$870,000 less end of year loan repayment of \$400,000, for a net accretion of \$470,000.

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

Maturity Date: Ongoing until sufficient DIF funds are available

Funding Sources: DIF – Public Services/City Hall Facilities

	2019-20	2020-21	2021-22	2021-22	2022-23
<u>Payment Amount</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Revised</u>	<u>Budget</u>
Principal Amount	\$ 0	\$ 0	\$ 0	\$400,000	\$ 0
Interest Amount	59,289	19,270	85,000	17,350	85,000
Admin/Other Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$59,289	\$19,270	\$85,000	\$417,350	\$85,000

## DEBT SERVICE

### INDIVIDUAL DEBT OBLIGATION SUMMARIES (Continued)

#### City – 2014 Development Impact Fees (DIF) Public Services/City Hall Facilities – Loan from General Fund (Continued)

##### Analysis and Recommendation

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

Due to the historical uncertainty in the timing of the receipt of DIF fees for projects in the development process, an increase of \$870,000 was budgeted in FY 2021-22 for the General Fund Loan to DIF 2018 City Hall, for a cumulative loan amount of \$4,573,324 through FY 2021-22. Based upon FY 2021-22 DIF revenues, funding was available to repay \$400,000 to the General Fund at year-end FY 2021-22, while also leaving the fund with sufficient reserves to make the required FY 2022-23 debt service contribution without the need for assistance from the General Fund in FY 2022-23. Depending upon the level of DIF City Hall Facilities 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, 2019	\$16,886,163
July 1, 2020	\$15,009,922
July 1, 2021	\$13,133,682
Estimated July 1, 2022	\$11,257,442

\*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>	2019-20 <u>Actual</u>	2020-21 <u>Actual</u>	2021-22 <u>Budget</u>	2021-22 <u>Revised</u>	2022-23 <u>Budget</u>
Principal Amount	\$1,876,240	\$1,876,240	\$1,876,240	\$1,876,240	\$1,876,240
Interest Amount	416,244	186,499	394,010	40,715	394,010
Admin/Other Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$2,292,484	\$2,062,739	\$2,270,250	\$1,916,955	\$2,270,250

**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 - 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, 2019	\$6,410,000
July 1, 2020	\$5,535,000
July 1, 2021	*\$ 0

\*Note – The 1998A Bonds were paid in full on November 2, 2020.

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: Original maturity June 1, 2026. The bonds were paid in full on November 2, 2020.

Funding Source: Hesperia Water District – Taxes and User Fees

<u>Payment Amount</u>	2019-20 <u>Actual</u>	2020-21 <u>Actual</u>	2021-22 <u>Budget</u>	2021-22 <u>Revised</u>	2021-22 <u>Budget</u>
Principal Amount	\$ 875,000	*\$5,535,000	\$ 0	\$ 0	\$ 0
Interest Amount	413,944	4,535	0	0	0
Admin/Other Costs	<u>114,097</u>	<u>63,250</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$1,403,041	\$5,602,785	\$ 0	\$ 0	\$ 0

\*Note – The 1998A Bonds were paid in full on November 2, 2020.

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

**Analysis and Recommendation**

The 1998A Bonds were paid in full on November 2, 2020.

**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 accrued beginning with the first disbursement of funds, and repayment of principal and interest began one year after completion of construction (January 28, 2021). Ultimately, the project required loaned funds amounting to \$6,012,919 and accrued interest of \$47,655.28, for a total loan of \$6,060,574.28.

Original Principal Amount: \$6,060,574.28

Principal Outstanding Balance as of:

July 1, 2019	\$4,455,704
July 1, 2020	\$6,060,574
July 1, 2021	\$5,881,331
Estimated July 1, 2022	\$5,705,509

Interest Rate: 1%

Maturity Date: January 28, 2050

Funding Source: Pledge of Water District Net Revenues

<u>Payment Amount</u>	2019-20 <u>Actual</u>	2020-21 <u>Actual</u>	2021-22 <u>Budget</u>	2021-22 <u>Revised</u>	2022-23 <u>Budget</u>
Principal Amounts	\$ 0	\$179,243	\$175,823	\$175,823	\$177,581
Interest Amount	0	55,393	58,813	58,813	57,055
Admin/Other Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 0	\$234,636	\$234,636	\$234,636	\$234,636

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

**Analysis and Recommendation:**

The loan will be repaid according to the debt service schedule.



**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.

	2018-19 <u>Actual</u>	2019-20 <u>Actual</u>	2020-21 <u>Actual</u>	2021-22 <u>Estimate</u>
Total assessed value of all real and personal property	\$ 6,387,712,389	\$ 6,808,647,581	\$ 7,233,521,171	\$ 7,522,862,018
Debt limit percentage	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>
Total debt limit	958,156,858	1,021,297,137	1,085,028,176	1,128,429,303
Amount of debt applicable to debt limit	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Legal debt margin	<u>\$ 958,156,858</u>	<u>\$ 1,021,297,137</u>	<u>\$ 1,085,028,176</u>	<u>\$ 1,128,429,303</u>
Percent of Debt Limit Authorized	0%	0%	0%	0%

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

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