



# CITY OF BELL

Bond Focus Group Results

August 24, 2011

# Overview

- Outstanding Debt Issuances
  - 1995 Lease Revenue Bonds
  - 1998 Certificates of Participation
  - 1998 Tax Allocation Bonds
  - 2005 Pension Obligation Bonds
  - 2007 Lease Revenue Bonds
  - 2009 Promissory Note
  - General Obligation Bonds
    - 2004 Series
    - 2007 Series
- Significant Challenges Presented by
  - 2007 Lease Revenue Bonds
  - General Obligation Bonds

# G.O. Bonds Background

- Approved by voters in 2003
- Authorized amount: Up to \$70 million
- Amount issued to-date: \$50 million
  - 2004: \$15 million – 30 years
  - 2007: \$35 million – 30 years
- City's obligation to the bond holders under the bond issue terms and conditions: Levy full amount of required debt service payments

# Purpose

- General City improvements as set forth in ballot measure., including:
  - Bell Sports Complex
  - Community Center
  - Performing Arts Center
  - New Library
  - Other parks, recreational and cultural facilities
  - Public safety and civic facilities

Bond Proceeds		50,000,000
Interest Earned		324,706
Cost of Issuance		(1,116,607)
Net Bond Proceeds		49,208,099
<b>Projects</b>		
Project Management	1,093,443	
Civic Center	664,080	
Bell Sport Complex	7,294,984	
Debs Park	796,068	
Vet's Park Clubhouse	2,788,956	
City Monument	2,192	
Skate Park	191,014	
Little Bear Park	8,502,686	
Nueva Vista Park	1,363,089	
Treder Park	65,670	
<b>Total Projects</b>		22,762,182
Used to Pay Debt Service		5,846,823
Balance		<u><u>\$20,599,094</u></u>

Uses To  
Date

# Challenges

- No tax levy assessed for first five years
- Progressive increases in levy since then, but last year's levy of \$1.4 million is still far short of covering debt service obligations
  - Accumulated unfunded debt service payment of \$5.8 million
  - Debt service “gap” funded by bond proceeds
- Desire to mitigate the added tax obligation posed by these bonds

# Debt Service and Levy Summary

<b>Retain 2010-11 Levy</b>		
In Millions	2011-12	2012-13
Tax Levy	1.4	1.4
Debt Service	2.7	3.5
<b>Gap</b>	<b>(\$1.3)</b>	<b>(\$2.1)</b>
<b>Already Approved 2011-12 Levy</b>		
In Millions	2011-12	2012-13
Tax Levy	2.1	2.1
Debt Service	2.7	3.5
<b>Gap</b>	<b>(\$0.6)</b>	<b>(\$1.4)</b>

# Possible Tax Mitigation Strategy

- Do not pursue remaining projects
  - \$20.6 million balance inadequate to fully them
  - Significant added operation and maintenance costs
  - Unclear community support for them, especially in light of fiscal challenges facing the City
- Refinance the existing bonds for only the proceeds used to-date, reducing the outstanding balance from \$50 million to \$30 million.
- This will reduce debt service payments by about 40%

# Advantages

- Reduced debt service payments due to:
  - Lower principal balance
  - Potentially lower interest costs
- This strategy will avoid the legal requirement of assessing the full \$3.5 million levy next year.
- Subject to the results of a detailed work-out plan, the goal is to avoid any further increases beyond the already-approved \$2.1 million levy.

## Recommendation

- Direct staff to return to the Council within next 60 days with recommended “work-out” plan.

# Questions?

