

# MULTI-YEAR OBLIGATIONS



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**City & Joint Powers Authority (JPA) Multi-Year Obligations:** The City of Capitola has various multi-year obligations, with which debt service is paid from various funding sources and paid in various forms (i.e. payroll, JPA premiums, etc.). All required current payments are included within the respective fund budgets.

**Debt Service – 2007 Pension Obligation Bonds:** The City of Capitola issued \$5,160,000 in pension obligation bonds (POB) dated June 30, 2007 to refinance the public employee retirement system (PERS) unfunded liability.

## *City & Joint Powers Authority Multi-Year Obligation Listing*

The City of Capitola has various multi-year obligations, with which debt service is paid from various funding sources and paid in various forms (i.e. payroll, JPA premiums, etc.). All required current payments are included within the respective fund budgets. As of June 30, 2010, the City's multi-year obligations are summarized as follows:

| <b>City Multi-Year Obligations</b>  | <b>Balance<br/>6/30/10</b> | <b>Form</b>                  | <b>Years</b> | <b>Other Terms</b>  |
|---|----------------------------|------------------------------|--------------|---|
| Street Sweeper - Gas Tax  | \$ 101,400                 | Notes Payable                | 5            | Interest 4.2%, 5 yrs, FY07/08 - FY11/12   |
| LED Street Light Loan - Gas Tax   | \$ 16,600                  | Notes Payable                | 5            | Interest 4.5%, 5 yrs, FY06/07 - FY10/11   |
| Current employee compensated absences   | \$ 752,300                 | accrued                      | on-going     | On-going. No interest due. (Refer to Compensated Absence Fund)  |
| Other Post Employment Benefits (OPEB) - Capitola Retiree Healthcare Plan (CRHP) | \$ 1,043,809               | Financial Statement Footnote | on-going     | The City of Capitola's OPEB unfunded actuarial accrued liability was determined to be \$967,200 under the pay-as-go option chosen for the initial three years of funding. The City contributes the PEMHCA minimum of \$108 for calendar 2011. |
| Pension Obligation Bond   | \$ 4,265,000               | Note payable                 | 10           | Original 18 yr term with CalPERS, 7.75% with CalPERS, Budget appropriates a new pension obligation bond (POB) of 10 years (Refer to Debt Service - PERS POB Fund)   |
| <b>Total City Multi-Year Obligation</b>   | <b>\$ 6,179,109</b>        |                              |              |   |

| <b>JPA Bonds</b>  | <b>Orig.<br/>Principal</b> | <b>Form</b>                          | <b>Other Terms</b>   |
|---|----------------------------|--------------------------------------|--|
| Monterey Bay Area Self-Insurance Authority (MBASIA) JPA Bond              | \$5,150,000                | JPA membership and paid via premiums | On Oct. 1, 2004, MBASIA issued debt in the amount of \$5,150,000. Each year the debt service is included in the MBASIA budget and used to determine each member agency's premium. While the MBASIA debt is amortized over 30 years, the first fixed term is for five years. At the end of this initial five year term MBASIA has the option to a 30 day variable payment, indexed to 60 basis points above LIBOR or negotiate another fixed term for a yet to be determined interest rate. |
| Santa Cruz Consolidated Emergency Communications Center (SCCECC) JPA Bond | \$5,760,000                | JPA membership and paid via premiums | In 2002, SCCECC issued lease revenue refunding bonds in the amount of \$5,760,000. Each member agency entered into a Use Agreement which obligates the member agencies to pay use payments each year as rental for the use and occupancy of the related facilities. These payments are included in the City's contracts services budget to SCCECC. The Use Agreement between Capitola and SCCECC is effective through 2024.  |

## *Debt Service – 2007 Pension Obligation Bonds*

The City of Capitola contracts with California Public Employee Retirement Systems (“PERS”) for two retirement plans, Public Safety for sworn police personnel and Miscellaneous for the remaining employees. Contribution rates for each plan are the sum of the “normal cost” for the plan, (i.e. the cost the City would incur if provisions of the plan don’t change, actuarial assumptions are accurate and the return on investment is as expected) and the City’s pension cost related to each plan’s “funded status.”

Since each of the City’s plans had less than 100 members since June 30, 2003, PERS has included them in a risk pool with other public agency plans. When a City enters a risk pool and has an existing Unfunded Actuarial Accrued Liability (the “Prior UAAL”), the Prior UAAL is put in a side fund (the “Side Fund”) for the individual agency outside of the risk pool. The Side Fund functions like a loan. The loan repayment schedule to pay off the prior UAAL is developed by PERS, the loan is amortized over 18 years at the current interest rate of 7.75% and the annual payments are restated as a percentage of the payroll. As of June 30, 2007, the City of Capitola Prior UAAL’s was \$5,912,220, \$3.0 million for Safety and \$2.9 million for miscellaneous. On July 13, 2007, the PERS obligation was refinanced with \$1 million of City funds and \$5,040,000 of pension obligation bonds (POB), with an interest rate of 6.09%, 10-year duration and level debt service payments instead.

|  | FY08/09<br>Actual   | FY09/10<br>Actual   | FY10/11<br>Adopted  | FY10/11<br>Estimated | FY11/12<br>Adopted  | FY12/13<br>Planned  |
|--|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|
| <b>Fund: 1410 - Pension Obligation Bond</b>      |                     |                     |                     |                      |                     |                     |
| Beginning Fund Balance                           | \$ 523,744          | \$ 520,378          | \$ 675,500          | \$ 468,186           | \$ 252,386          | \$ 479,386          |
| <b>Revenues</b>                                  |                     |                     |                     |                      |                     |                     |
| Interfund transfer in General Fund               | \$ 201,800          | \$ 206,200          | \$ 240,000          | \$ 24,500            | \$ 240,000          | \$ 240,000          |
| Interfund transfer in ISF PERS                   | \$ 460,018          | \$ 416,600          | \$ 440,000          | \$ 440,000           | \$ 660,500          | \$ 450,000          |
| OFS - Other financing sources                    | \$ 661,818          | \$ 622,800          | \$ 680,000          | \$ 464,500           | \$ 900,500          | \$ 690,000          |
| <b>Total Sources</b>                             | <b>\$ 1,185,562</b> | <b>\$ 1,143,178</b> | <b>\$ 1,355,500</b> | <b>\$ 932,686</b>    | <b>\$ 1,152,886</b> | <b>\$ 1,169,386</b> |
| <b>Expenditures</b>                              |                     |                     |                     |                      |                     |                     |
| CS - Contract services                           |                     |                     |                     |                      |                     |                     |
| CS-Gen/Admin Contracts - general                 | \$ -                | \$ 1,500            | \$ 2,000            | \$ 2,000             | \$ 2,000            | \$ 2,000            |
| Account Classification Total: CS - Contract svcs | \$ -                | \$ 1,500            | \$ 2,000            | \$ 2,000             | \$ 2,000            | \$ 2,000            |
| DS - Debt service                                |                     |                     |                     |                      |                     |                     |
| Debt principal                                   | \$ 370,000          | \$ 405,000          | \$ 435,000          | \$ 435,000           | \$ 455,000          | \$ 485,000          |
| Other debt principal                             | \$ -                | \$ -                | \$ -                | \$ -                 | \$ -                | \$ -                |
| Interest and fiscal charges                      | \$ 295,184          | \$ 268,492          | \$ 243,300          | \$ 243,300           | \$ 216,500          | \$ 188,300          |
| Fund Expenditures                                | \$ 665,184          | \$ 674,992          | \$ 680,300          | \$ 680,300           | \$ 673,500          | \$ 675,300          |
| <b>Fund Balance</b>                              | <b>\$ 520,378</b>   | <b>\$ 468,186</b>   | <b>\$ 675,200</b>   | <b>\$ 252,386</b>    | <b>\$ 479,386</b>   | <b>\$ 494,086</b>   |

## Semi-Annual Debt Service Schedule

| <b>Payment Dates</b> | <b>Principal</b>    | <b>Interest</b>     | <b>Total</b>        | <b>Fiscal Year</b>  |
|----------------------|---------------------|---------------------|---------------------|---------------------|
| 2/1/2008             |                     | 166,597             | 166,597             | 166,597             |
| 8/1/2008             | 370,000             | 151,452             | 521,452             |                     |
| 2/1/2009             |                     | 140,334             | 140,334             | 661,786             |
| 8/1/2009             | 405,000             | 140,334             | 545,334             |                     |
| 2/1/2010             |                     | 128,163             | 128,163             | 673,497             |
| 8/1/2010             | 435,000             | 128,163             | 563,163             |                     |
| 2/1/2011             |                     | 115,092             | 115,092             | 678,255             |
| 8/1/2011             | 455,000             | 115,092             | 570,092             |                     |
| 2/1/2012             |                     | 101,419             | 101,419             | 671,510             |
| 8/1/2012             | 485,000             | 101,419             | 586,419             |                     |
| 2/1/2013             |                     | 86,845              | 86,845              | 673,263             |
| 8/1/2013             | 515,000             | 86,845              | 601,845             |                     |
| 2/1/2014             |                     | 71,369              | 71,369              | 673,213             |
| 8/1/2014             | 545,000             | 71,369              | 616,369             |                     |
| 2/1/2015             |                     | 54,992              | 54,992              | 671,360             |
| 8/1/2015             | 575,000             | 54,992              | 629,992             |                     |
| 2/1/2016             |                     | 37,713              | 37,713              | 667,704             |
| 8/1/2016             | 610,000             | 37,713              | 647,713             |                     |
| 2/1/2017             |                     | 19,382              | 19,382              | 667,095             |
| 8/1/2017             | 645,000             | 19,382              | 664,382             | 664,382             |
| <b>TOTAL</b>         | <b>\$ 5,040,000</b> | <b>\$ 1,828,663</b> | <b>\$ 6,868,663</b> | <b>\$ 6,868,663</b> |

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