

STAFF REPORT



ITEM NO. 14
CITY OF OCEANSIDE

DATE: February 27, 2013

TO: Honorable Mayor and City Councilmembers

FROM: City Treasurer's Office

SUBJECT: **APPROVAL OF A BUDGET APPROPRIATION TO THE OCEANSIDE STREET LIGHTING DISTRICT DEBT SERVICE FUND IN THE AMOUNT OF \$482,500 FOR THE PREPAYMENT OF THE 2004 STREET LIGHTING LEASE**

SYNOPSIS

Staff recommends that the City Council approve a budget appropriation from the General Fund Unassigned Fund Balance to Fund 963, the Street Lighting Debt Service Fund, in the amount of \$482,500 for the prepayment of the 2004 Street Lighting Lease.

BACKGROUND

On September 15, 2004, City Council authorized the City to enter into a lease with Zions First National Bank to refund the 1994 Street Lighting Acquisition Project Certificates of Participation (COP) bonds in order to achieve cost savings due to lower bond market yields. On October 5, 2004, the 2004 Street Lighting lease agreement was executed, resulting in a lease par amount of \$2,064,582.52. The lease has a maturity date of September 1, 2014, and an interest rate of 4.20 percent. The outstanding principal on the lease is \$480,799.13 as of September 1, 2012. The debt service payments are approximately \$250,000 per year, and budgeted in Fund 221, Oceanside Street Lighting District 2-91 Fund.

In November 2012, City Council was provided a memorandum that discussed the use of a portion of a \$3.4 million surplus from Fiscal Year 2011-2012 to reduce long-term City debt in accordance with Council Policy 200-13, Section RE-5. The memorandum recommended the use of \$500,000 of the surplus to pay off the 2004 Street Lighting lease.

ANALYSIS

In October 2012, the Council was provided a memorandum that identified a surplus of \$3.4 million at the end of Fiscal Year 2011-2012 as a result of one-time revenues. In accordance with Council Policy 200-13, Section RE-5, a portion of the surplus is to be

used to reduce City debt. The 2004 Street Lighting lease was identified as a viable candidate for debt reduction due to the short duration remaining on the lease (a September 2014 maturity date), less than \$500,000 outstanding principal remaining, and the ability to prepay the lease without penalty.

The prepayment of the 2004 Street lighting lease will save \$20,461 in interest expense over the remaining term of the lease. The annual savings to the Oceanside Lighting District fund will be \$250,000.

Staff is requesting that City Council approve a budget appropriation in the amount of \$482,500 from unassigned General Fund reserves to Fund 963, the Oceanside Lighting District Debt Service Fund for the purpose of prepaying the 2004 Street Lighting lease. \$481,000 will be used toward the payment of principal; the remaining \$1,500 will be used to pay for the final arbitrage calculation.

FISCAL IMPACT

The City Council approved appropriation of \$482,500 (in accordance with City Council Policy 200-13, Section RE-5) from the General Fund Unassigned Fund Balance (101.3100.0001) will be used to prepay the 2004 Street Lighting lease. The funds will be accounted for as follows:

Transfer from General Fund	1101.6900.0963	\$ 482,500
Transfer to Oceanside Lighting District DS	605611963.6800.0101	\$(482,500)
Retire Debt Service – Street Light Lease	605611963.5651.1001	\$ 481,000
Professional Services – Arbitrage Calculation	605611963.5305	\$ 1,500

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

City Attorney analysis does not apply.

RECOMMENDATION

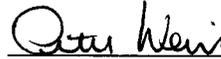
Staff recommends that the City Council approve a budget appropriation from the General Fund Unassigned Fund Balance to Fund 963, the Street Lighting Debt Service Fund, in the amount of \$482,500 for the prepayment of the 2004 Street Lighting Lease.

PREPARED BY:

SUBMITTED BY:



Michele C. Lund, CCMT
Treasury Manager



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager
Gary Ernst, City Treasurer
Teri Ferro, Director of Financial Services



Attachments/Exhibits

1. City Council Memorandum dated November 8, 2012, "General Fund Surplus"

City of Oceanside

Office of the City Manager

Memorandum

To: Honorable Mayor and City Councilmembers

From: Peter A. Weiss, City Manager *W*

Date: November 8, 2012

Subject: **General Fund "Surplus"**

On October 23, 2012, staff provided the Council a memorandum identifying a \$3.4 million surplus for FY 2011-2012. In accordance with Council's policies, portions of the surplus have been allocated to specific reserve funds with a unallocated balance of approximately \$2.0 million. Staff will be bringing formal recommendations to the Council in January 2013, for the use of the "one-time" revenues to further reduce long-term City debt.

Attached is a memorandum from the City Treasurer's office outlining the use of the balance to pay off the Street Lighting District Lease (\$250,000 annual savings) and \$1.5 million additional cash funding toward the refunding of the San Luis Rey River/Parking Lots and CAD bonds (\$550,000 annual savings).



Memorandum
OFFICE OF THE CITY TREASURER

TO: Peter Weiss, City Manager

FROM: Michele Lund, Treasury Manager
Ext. 3549

DATE: October 31, 2012

SUBJECT: USE OF ONE-TIME REVENUES TO PAY DOWN GENERAL FUND DEBT SERVICE

Earlier this month, we discussed the use of available one-time revenues to decrease the City's debt obligations attributable to the General Fund. I spoke with the financing team (Brian Forbath, bond counsel, and Katie Koster, underwriter) whom I am currently working with to refund outstanding bond issues, to see what options may be available using the one-time revenues. We came up with a financing alternative that we believe will meet your objective of reducing the City's long-term debt using the one-time revenues.

Originally, the plan was to combine the 2003 COPs and the 2004 Street Lighting Lease which would provide a \$1.5 million savings over the life of the bonds or \$392,000 in annual cash flow savings. With the use of the \$2 million dollars in one-time revenues we propose the following:

- Use \$500,000 to directly pay off the Street Lighting Lease as you had indicated. This would unencumber the Gas Tax (221) fund of its \$250,000 annual debt obligation; with the refinancing there would have been a remaining debt service obligation until September 2014.
- Use the remaining \$1.5 million as additional cash funding toward the refunding of the 2003 Series A COPs. By using this cash and not refinancing the street lighting debt, the par value would decrease by \$2 million dollars and we would increase the annual cash flow savings to \$547,000 from \$392,000 (\$155,000 increase).

The attached table provides the relative financial information comparing the original planned refinancing to the refinancing with the use of the \$1.5 million in additional funds.

Refinancing Alternatives for 2003 COPs and 2004 Street Lighting Lease

Original Scenario	Use of additional \$1.5mm
Priv Placement @ 2.5%; 2003 Ser A COPs and 2004 St Lighting	Priv Placement @ 2.5%; Ser A only

Par Amount	\$ 14,154,968.00	\$ 12,158,997.00
All In TIC	2.798%	2.843%
Max Annual DS	\$ 1,999,221.49	\$ 1,674,313.49
Avg Annual DS	\$ 1,532,474.96	\$ 1,313,973.17
PV Savings (\$)	\$ 1,557,919.86	\$ 1,555,919.02
PV Savings (%)	9.891%	10.189%
Avg Annual CF Savings	\$ 392,083.98	\$ 547,545.60

Increase in average annual savings with \$1.5mm with additional funds. \$ 155,461.62

<u>Current Debt Service Funding FY 12/13</u>		<u>Estimated Annual Savings</u>
Fund 510 - SLR Wtr Course	\$ 331,132.00 15%	\$ 82,100.00
Fund 711 - Water Operating	\$ 900,000.00 41%	\$ 224,500.00
Fund 101 - General Fund	\$ 944,221.00 44%	\$ 240,900.00
Annual DS Payment	<u>\$ 2,175,353.00 100%</u>	<u>\$ 547,500.00</u>



Memorandum Financial Services Department

TO: Honorable Mayor and City Councilmembers

THROUGH: Peter Weiss, City Manager *W*

FROM: Teri Ferro, Director of Financial Services *TF*

DATE: October 23, 2012

SUBJECT: General Fund Budgetary Comparison Report – FY 11/12

Attached please find the General Fund Budgetary Comparison Report for the fourth quarter ending June 30, 2012. This data is based on audited Period 14 entries. The following table provides a quick snapshot of the year end standing of the General Fund based on the amended budget.

Description	Amended Budget	Actual @ 6/30/12	Variance	%
Revenues	\$111,835,194	\$114,036,497	\$2,201,303	102%
Expenditures	\$113,175,930	\$110,674,002	\$2,501,928	98%
Surplus		\$3,362,495		

General Fund revenues came in at 102% of the amended budget which is attributed to one-time revenue sources that were not included in budget projections.

General Fund departmental operating expenditures came in at 98% of the amended budget, as departments took an austere approach in spending for the final quarter.

Fiscal Year 11/12 ended with a surplus of \$3,362,495 which, in accordance with City Council Policy 200-13 Financial Policies, has been set aside for specific reserve usage as noted on the attached report. Staff will bring forth recommendations to City Council as part of the Mid-Year Financial Report in January 2013 for usage of remaining "one-time" and "on-going" revenues.

The General Fund Balance as of June 30, 2012 is \$36,608,726 (which includes the Healthy City, Economic Stabilization, PERLF, and all other assigned and committed reserves).

cc: City Clerk
City Treasurer
Department Directors

**CITY OF OCEANSIDE
GENERAL FUND BUDGETARY COMPARISON
Fiscal Year 2011-2012**

Description	Adopted Budget	Amended Budget	YTD Actual 6/30/2012 Period 14	YTD % of Amended Budget
Property Taxes	45,131,200	45,131,200	46,259,461	102.50%
Sales Taxes	17,307,800	18,241,800	18,923,556	103.74%
All Other Taxes	10,706,600	10,576,600	11,461,701	108.37%
Licenses & Permits	1,534,160	1,514,160	1,685,449	111.31%
Fines/Forfeitures	4,643,060	3,993,060	4,184,002	104.78%
Use of Money & Property	4,837,754	4,121,754	4,265,710	103.49%
Intergovernmental	1,013,152	769,461	812,631	105.61%
Charges for Services	17,230,524	17,287,824	15,849,122	91.68%
Other Revenue & Transfers	9,892,335	10,156,335	10,594,865	104.32%
Use of Reserves	43,000	43,000	n/a	n/a
TOTAL REVENUE	112,339,585	111,835,194	114,036,497	101.97%
City Council	891,586	891,586	833,067	93.44%
City Clerk	1,073,842	1,253,508	1,160,769	92.60%
City Treasurer	309,501	309,501	302,828	97.84%
City Manager	680,619	743,703	710,406	95.52%
City Attorney	1,535,860	1,525,860	1,453,773	95.28%
Financial Services	4,361,867	4,704,610	4,401,537	93.56%
Human Resources	694,834	694,834	690,122	99.32%
Non-Departmental	5,265,589	5,584,924	5,942,669	106.41%
Fire	23,512,844	23,491,661	24,103,408	102.60%
Police	47,560,302	47,062,555	45,744,727	97.20%
Public Works	10,035,047	10,560,777	9,668,301	91.55%
Development Services	6,844,115	6,748,595	6,279,690	93.05%
Neighborhood Services	4,293,502	4,194,402	4,090,213	96.94%
Library	4,381,041	4,412,041	4,322,206	97.96%
Economic Development	1,034,873	997,373	970,286	97.28%
TOTAL EXPENDITURE	112,475,422	113,175,930	110,674,002	97.79%
SURPLUS/(SHORTFALL)	(135,837)	(1,340,736)	3,362,495	n/a
Beginning Fund Balance 7/1/2011			34,864,086	
Prior Year Audit Adjustments			(1,617,855)	
FY 11/12 Year End Surplus			3,362,495	
Ending Fund Balance 6/30/2012			36,608,726	

REVENUE TYPE	AMOUNT	USAGE
One-time Closeout Trendwest CFD	408,500	Economic Stabilization Fund
One-time Residual RPTTF	1,221,000	PERLF Fund
One-time Use of Reserves	297,400	FY 11/12 Carry-Forward
One-time Sales Tax	681,700	TBD - 2 nd Quarter *
On-going revenues	753,900	TBD - 2 nd Quarter *
TOTAL	3,362,500	

**In accordance with City Council Policy 200-13 Financial Policies Section RE-5 "one-time revenues will be used for one-time expenditures, debt reduction or reserve enhancement"; Section OB-6 "on-going projected revenues for the General Fund ... will be budgeted 50% to enhance unassigned fund balance and 50% to reduce long-term unfunded liabilities."*

A recommendation for these amounts, along with any revenue adjustments from FY 12/13, will be brought to City Council as part of the Mid-Year Financial Report in January 2013.