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
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Proceeds</td>
<td>50,000,000</td>
</tr>
<tr>
<td>Interest Earned</td>
<td>324,706</td>
</tr>
<tr>
<td>Cost of Issuance</td>
<td>(1,116,607)</td>
</tr>
<tr>
<td><strong>Net Bond Proceeds</strong></td>
<td><strong>49,208,099</strong></td>
</tr>
</tbody>
</table>
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

## Retain 2010-11 Levy

<table>
<thead>
<tr>
<th>In Millions</th>
<th>2011-12</th>
<th>2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Levy</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Debt Service</td>
<td>2.7</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Gap</strong></td>
<td><strong>($1.3)</strong></td>
<td><strong>($2.1)</strong></td>
</tr>
</tbody>
</table>

## Already Approved 2011-12 Levy

<table>
<thead>
<tr>
<th>In Millions</th>
<th>2011-12</th>
<th>2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Levy</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Debt Service</td>
<td>2.7</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Gap</strong></td>
<td><strong>($0.6)</strong></td>
<td><strong>($1.4)</strong></td>
</tr>
</tbody>
</table>
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?