

DEBT SERVICE FUNDS

**Clean Renewable Energy Bonds [CREB]
Pension Obligation Bonds [POB]
2011 Water Bond (In Water Fund)**



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CITY OF SONOMA



DEBT SERVICE FUNDS

Clean Renewable Energy Bonds (495-55031) Pension Obligations Bonds [POBs] (495-57109) 2011 Water Bond (In Water Fund 510-62001)

Sue Casey, Assistant City Manager

The City uses debt service funds for tracking of revenue and interest related to long term debt principal and interest. Funds are transferred into the debt service funds from the appropriate fund.

In addition to the debt financing associated with the former Community Development Agency, the City has responsibility for the following:

- 2008 Clean Renewable Energy Bonds (CREB) -- Used for photovoltaic (solar) projects at the Police Station and Corporation Yard.
 - In 2007, the City submitted applications to the United States Internal Revenue Service (IRS) for allocation of Clean Renewable Energy Bonds (CREBs). The IRS awarded the City and allocation of \$1,156,000 to finance solar paneling project at four different municipal facilities within the City limits. Bonds were issued on July 10, 2008 and tax credits were granted to lender upon financing. The obligation is a lease agreement with Municipal Finance Corporation in the amount of \$1,156,000 entered into on July 10, 2008. Principal installments of \$41,749 are made on December 15 of each year, with the final installment due on December 15, 2024.
- 2012 Pension Obligation Bond (POB) – Used to purchase unfunded pension liability and finance at a lower cost than charged by PERS.
 - The issuance of a POB is a method of fulfilling the City's existing obligation to California Public Employees Retirement System (CalPERS) in a more cost-effective manner at a lower interest rate than paying at the CalPERS interest rate of 7.5%. This does not create a new obligation for the City, but rather refinances an existing obligation to CalPERS in much the same manner as other City bonds. In late 2012, the City issued Taxable Pension Obligation Bonds in the amount of \$2,925,000 to refund its obligation to make certain payments to PERS in respect of retired public safety and miscellaneous employees under the Side Fund program of PERS which amortizes such obligations over a fixed period of time.
 - With the issuance of the POBs, the City reduced the payoff period by 5 years, reduced the interest rate from 7.5% to 3.8% (average rate over 9 years), reduced the CalPERS employer rate from 15.350% of payroll to 12.330% of payroll and will see an overall cost savings of approximately \$469,000 over a nine-year period.
 - The Pension Obligation Bonds was paid off in FY 20/21,
- Refinance of the 2001 Water Bond -- Debt service costs related to this bond are paid directly from the Water Fund and are included in the water fund budget (510-62001).

RECOMMENDED FY 21/22 BUDGET

495 - 2008 Creb Bonds

Expenditure Category	FY 18-19 Actuals	FY 19-20 Actuals*	FY 20-21 Adopted Budget	FY 20-21 Amended Budget	FY 20-21 Projected Actuals*	FY 21-22 Budget
Transfers	\$ 41,749	\$ 41,748	\$ 41,749	\$ 41,749	\$ 41,748	\$ 41,749
Total Revenue	\$ 41,749	\$ 41,748	\$ 41,749	\$ 41,749	\$ 41,748	\$ 41,749
Debt Service	\$ 41,749	\$ 41,748	\$ 41,749	\$ 41,749	\$ 41,748	\$ 41,749
Total Expense	\$ 41,749	\$ 41,748	\$ 41,749	\$ 41,749	\$ 41,748	\$ 41,749
Grand Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

* Unaudited

498 - 2012 Pension Oblig Bonds

Expenditure Category	FY 18-19 Actuals	FY 19-20 Actuals*	FY 20-21 Adopted Budget	FY 20-21 Amended Budget	FY 20-21 Projected Actuals*	FY 21-22 Budget
Transfers	\$ 412,100	\$ 412,500	\$ 412,300	\$ 412,300	\$ 412,300	\$ -
Interest Revenue	\$ 1,459	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 413,559	\$ 412,500	\$ 412,300	\$ 412,300	\$ 412,300	\$ -
Professional Svcs	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
Debt Service	\$ 409,383	\$ 411,000	\$ 410,800	\$ 410,800	\$ 410,800	\$ -
Total Expense	\$ 410,883	\$ 412,500	\$ 412,300	\$ 412,300	\$ 412,300	\$ -
Grand Total	\$ 2,676	\$ -	\$ -	\$ -	\$ -	\$ -

* Unaudited

AGENCY FUNDS

**Successor Agency
General Fund
Redevelopment Property Tax Trust Fund (RPTTF)**

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CITY OF SONOMA

Successor Agency Administration (100-43199)

Dave Kiff, Interim Executive Director, Successor Agency

One of the most profound impacts to the City's budget in many years was the dissolution of California redevelopment agencies by the State of California. The Redevelopment Dissolution Act, AB 1x26, signed by the Governor Jerry Brown in June 2011, was upheld by the California Supreme Court on December 29, 2011. The Court set the date of February 1, 2012, for dissolution of all California redevelopment agencies. The purpose for the State's elimination of redevelopment agencies was to realign property tax contribution from redevelopment agencies to schools and other property tax agencies within each county.

The City of Sonoma has elected to serve as the Successor Agency to the Sonoma Redevelopment Agency. The Dissolution Act requires that each successor agency have an Oversight Board composed of seven members appointed by specific governmental agencies. In addition, the City of Sonoma elected to not serve as the Housing Successor Agency and therefore transferred its housing assets and remaining housing funding to the Sonoma County Community Development Agency.

The elimination of all redevelopment revenue funding for projects and associated administrative costs resulted in unprecedented challenges for the City. Historically, the City has funded portions of staff time and key city investments with redevelopment funds. With the dissolution, each prior redevelopment agency (in Sonoma named the "Community Development Agency") was replaced with a Successor Agency to close out all Redevelopment activity, and to absorb administrative costs now unfunded in a post redevelopment era. Employees who were previously responsible for and funded by redevelopment were shifted to the newly created Successor Agency and other related expenses were absorbed by the General Fund.

With the elimination of redevelopment, the City moved the cost of Economic Vitality Program with the Sonoma Valley Chamber of Commerce and Emergency Shelter Utilities to the General Fund. In addition, the City moved the expenses for the master lease and associated costs of the Sebastiani Theatre to the Community Activities Budget. These were costs that were covered by the City's prior redevelopment agency.

The Dissolution Act provides the Successor Agency with an Administrative Cost Allowance to reimburse its costs to wind down the affairs of the dissolved redevelopment agency. Reimbursement will be made from property tax revenues, not to exceed 5% of the property tax allocated. For FY 21/22 Sonoma's Successor Agency will receive \$50,000 in Administrative Costs Allowance.

The Successor Agency budget includes the following expenditures:

- Portion of staff costs including City Manager and the Deputy Finance Director
- Legal advice and any costs associated with potential litigation with the Department of Finance.

RECOMMENDED FY 21/22 BUDGET

Key changes between the FY 20/21 and the FY 21/22 budget are listed and described below.

Reduction in expenses based on Administrative Cost Reimbursement	-\$25,000)
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43199 - Successor Agency

Expenditure Category	FY 18-19 Actuals	FY 19-20 Projected Actuals*	FY 20/21 Adopted Budget	FY 20-21 Amended Budget	FY 20-21 Projected Actuals*	FY 21-22 Budget
Salary & Wages	\$ 95,560.00	\$ 91,946.00	\$ 53,998.00	\$ 53,998.00	\$ 82,684.33	\$ 34,037.00
Employee Benefits	\$ 20,289.00	\$ 20,899.00	\$ 10,665.00	\$ 10,665.00	\$ 14,280.50	\$ 8,711.00
PERS UAL	\$ 10,172.00	\$ 15,439.00	\$ -	\$ -	\$ 11,018.00	\$ -
Professional Svcs	\$ 18,743.00	\$ 1,053.00	\$ 10,337.00	\$ 10,337.00	\$ 943.66	\$ 7,252.00
Property Services	\$ 7,237.00	\$ 10,919.00	\$ -	\$ -	\$ 12,826.21	\$ -
Operations	\$ 21.00	\$ 22.00	\$ -	\$ -	\$ -	\$ -
Supplies	\$ 1,125.00	\$ 1,275.00	\$ -	\$ -	\$ 2,042.55	\$ -
Internal Service & Capital Prj	\$ 27,894.00	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expense Total	\$ 181,041.00	\$ 141,553.00	\$ 75,000.00	\$ 75,000.00	\$ 123,795.26	\$ 50,000.00

*Unaudited



CITY OF SONOMA

Successor Agency RPPTF-ROPS (Fund 391)

**[Redevelopment Property Tax Trust Fund
for Recognized Obligation Payments]**

Dave Kiff, Interim Executive Director, Successor Agency

One of the most profound impacts to the City's budget in many years was the dissolution of California redevelopment agencies by the State of California. The Redevelopment Dissolution Act, AB 1x26, signed by the Governor Jerry Brown in June 2011, was upheld by the California Supreme Court on December 29, 2011. The Court set the date of February 1, 2012, for dissolution of all California redevelopment agencies. The purpose for the State's elimination of redevelopment agencies was to realign property tax contribution from redevelopment agencies to schools and other property tax agencies within each county.

The City of Sonoma has elected to serve as the Successor Agency to the Sonoma Redevelopment Agency. The Dissolution Act requires that each successor agency have an Oversight Board composed of seven members appointed by specific governmental agencies. In addition, the City of Sonoma elected to not serve as the Housing Successor Agency and therefore transferred its housing assets and remaining housing funding to the Sonoma County Community Development Agency.

The budget represented by the Redevelopment Property Tax Trust Fund (RPTTF) and the Recognized Obligation Payment Schedule (ROPS) are part of the same action by the California Assembly Bill ABX1 26. Through this legislation, new guidelines were issued for the dissolution of the former redevelopment agency and the management of the remaining assets and financial commitments. State law requires development of a remittance and a payment schedule for State recognized and approved expenses. Every year, the City submits detail of anticipated payments based on items authorized by the Department of Finance during the Due Diligence process which took place in 2013.

For expenses that are approved for RPTTF Funding, the City as Successor Agency receives pass through revenue when property taxes are remitted to the City by the County. The City then makes authorized payments from Successor Agency, RPTTF / ROPS Fund. The approved expenses include:

- Debt service costs which were previously funded by tax increment and that have an amortization schedule during the time of the dissolution of the RDA. These expenses will be paid using funds received under ROPS until the debt is fully paid according to the original schedule. For Sonoma, the schedule includes:
 - Tax Increment Bonds (TAB) issued in 2010, 2011 and 2015,
 - USDA note payable related to Village Green Housing, and
 - Payment to the Sonoma County Housing Authority for a loan issued by the Low Moderate Income Housing Fund to the Community Development Agency.
- Contract services through the end of any contracts issued before the dissolution of the Sonoma Community Development Agency. This includes the funding for Sonoma Overnight Services (Emergency Shelter). Utilities and building maintenance for the Emergency Shelter are paid by the City and in the Non-Departmental budget.
- Other expenses approved by the Successor Agency RPTTF are primarily related to professional services such as legal services.

FY 21/22Goals:

- In October 2010, the Community Development Agency of the City of Sonoma ("Redevelopment Agency") issued \$ 10,120,000 of 2010 Refunding Tax Allocation Bonds ("2010 Bonds") to refinance redevelopment activities with respect to the Sonoma Redevelopment Project. In March 2011, the Redevelopment Agency issued \$15,750,000 of 2011 Tax Allocation Bonds ("2011 Bonds") to finance redevelopment activities with respect to the Sonoma Redevelopment Project.
- The 2010 and 2011 Bonds (collectively, the "Outstanding Bonds") are secured by the non-housing tax increment of the Redevelopment Agency. A summary of the Outstanding Bonds is provided in the following table:

	2010 Bonds	2011 Bonds	Total
Tax Status	Tax-Exempt	Tax-Exempt	Tax-Exempt
Outstanding Par	\$5,825,000	\$14,275,000	\$20,100,000
Current Interest Rate	4.87%	7.11%	6.78%
Final Maturity	12/1/2030	12/1/2036	
Redemption	Any Date	12/1/2022	

- In FY 21/22 the Successor Agency to the Former Sonoma Community Development Agency ("Successor Agency") has the opportunity to refinance the Outstanding Bonds with significant benefit for the City of Sonoma ("City") and other taxing entities. Working with our Municipal Advisor (NHA Advisors, LLC) and Placement Agent (Hilltop Securities), bids would be solicited from a number of financial institutions to purchase the proposed 2021 Tax Allocation Refunding Bonds ("2021 Bonds"), which would be issued to refund and redeem the Outstanding Bonds.
- At present, the trustee for the 2011 Bonds is holding approximately \$8.3 million in funds that can be applied to the refinancing to reduce the principal amount of the 2021 Bonds. If approved under current market conditions, combined with these funds on hand with the trustee for the 2011 Bonds, the Outstanding Bonds can be refinanced and restructured to generate an estimated \$18.95 million of cash flow savings to all taxing entities and net present value savings of approximately \$7.28 million (36.2%). The savings would be divided among the taxing entities according to each agency's residual allocation of the revenues; of which, the City would be expected to realize approximately \$2.34 million (12.38% of the savings) of cash flow through FY 2035-36 (\$901,000 on a present value basis).
- The Bond refinancing will be subject to approval by the Successor Agency Board and the County Oversight Board. If the refinancing is conditionally approved by the County Oversight Board, the State Department of Finance must also approve the transaction.
- In FY 21/22, the City will review its Last and Final Recognized Obligation (ROPS) payment schedule with the Department of Finance. This will outline all remaining debt which will be limited to administrative costs and payments pursuant to enforceable obligations with defined payment schedules including, but not limited to, debt service, loan agreements, and contracts. With the approval of the Last and Final ROPS, the City is eligible for a portion of the original bond proceeds. Final resolution with the State regarding these bond proceedings is a key initiative this year.

RECOMMENDED FY 21/22 BUDGET

The budget below has already been approved by the Department of Finance based on already approved recognized obligation payments per contracts or debt. The City Council has no ability to adjust this budget.

391 - Successor Agency						
Expenditure Category	FY 18-19 Actuals	FY 19-20 Actuals*	FY 20-21 Adopted Budget	FY 20-21 Amended Budget	FY 20-21 Projected Actuals*	FY 21-22 Budget
Property Taxes	\$ 3,460,260	\$ 3,373,978	\$ 3,313,048	\$ 3,313,048	\$ 1,628,929	\$ 3,313,048
Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer from Reser	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Revenue	\$ 195,414	\$ -	\$ 45,000	\$ 45,000	\$ -	\$ 45,000
Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 3,655,674	\$ 3,373,978	\$ 3,358,048	\$ 3,358,048	\$ 1,628,929	\$ 3,358,048
Professional Svcs	\$ 154,550	\$ -	\$ 6,000	\$ 6,000	\$ -	\$ 6,000
Property Services	\$ 290,800	\$ 280,000	\$ 134,788	\$ 134,788	\$ 15,000	\$ 110,488
Operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Internal Service & Capital Prj	\$ -	\$ (6,673)	\$ -	\$ -	\$ -	\$ -
Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers to County	\$ 20,788	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ 1,916,972	\$ 3,190,368	\$ 2,587,596	\$ 2,587,596	\$ 2,587,596	\$ 3,208,800
Total Expense	\$ 2,383,110	\$ 3,463,695	\$ 2,728,384	\$ 2,728,384	\$ 2,602,596	\$ 3,325,288
Grand Total	\$ 1,272,564	\$ (89,717)	\$ 629,664	\$ 629,664	\$ (973,667)	\$ 32,760
* Unaudited						



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