

# **Successor Agency to the Town of Los Gatos Redevelopment Agency**

## **FUND 942**

### **AGENCY OVERVIEW**

The Los Gatos Town Council established the Los Gatos Redevelopment Agency on January 22, 1990, pursuant to the provisions of the California Community Redevelopment Law (Health and Safety Code, Section 33000 et seq.) and declared itself to constitute the Agency by Ordinance No. 1806 adopted on December 4, 1989. The Redevelopment Plan was pursued as a result of the Loma Prieta Earthquake in 1989 and the need to rebuild existing infrastructure. The Redevelopment Agency area encompassed approximately 440 acres in and around downtown Los Gatos, which included retail and residential areas, lodging, schools, and transportation thoroughfares.

Projects completed in the Plan area, including street and utility reconstruction, parking, streetscape, and civic improvements, were funded through property “tax increment” revenue collected by the Redevelopment Agency. When the Redevelopment Agency was initially formed, the tax base for all properties within the redevelopment area was “frozen” to form a “base year.” When properties were reassessed, the tax base grew and the Agency received the majority of the difference in property taxes paid between the base year and the new level (known as “tax increment” revenue).

### **BUDGET OVERVIEW**

On June 15, 2011, the California State Legislature adopted two budget “trailer” bills concerning redevelopment, ABx1 26 and ABx1 27 (hereafter AB 26 and AB 27). AB 26 (the “Dissolution Act”) eliminated redevelopment agencies as of October 1, 2011, and essentially restricted redevelopment agencies from entering into agreements, borrowing or lending funds, or acquiring or disposing of real property prior to dissolution. Whereas, AB 27 (the “Voluntary Program Act”) allowed redevelopment agencies to remain in existence and be exempt from AB 26 if certain “voluntary” payments were made to the State in FY 2012 and in each fiscal year thereafter. These bills were signed into law by the governor on July 28, 2011.

The League of California Cities and the California Redevelopment Association (CRA) filed a petition with the California Supreme Court, challenging the constitutionality of AB 26 and AB 27. The California Supreme Court, in its decision in *California Redevelopment Association v. Matosantos* issued December 29, 2011 (the “Supreme Court Decision”), declared the Dissolution Act alone to be constitutional. Under

## ❖ SUCCESSOR AGENCY TO THE LOS GATOS REDEVELOPMENT AGENCY ❖

the Dissolution Act, all California redevelopment agencies were dissolved effective February 1, 2012.

Following the provisions of the Dissolution Act, the Town Council of the Town of Los Gatos (the “Town Council”) adopted a resolution accepting for the Town the role of Successor Agency (the “Successor Agency”) to the Redevelopment Agency of the Town of Los Gatos (the “Redevelopment Agency”). An oversight board (the “Oversight Board”), consisting of members representing Santa Clara County, the Town, and various education and special districts was formed to approve and direct certain actions of the Town as Successor Agency.

Prior to the dissolution of redevelopment agencies, redevelopment law required that 20 percent of tax increment revenue received by an agency must be set aside for affordable housing activities. Under the Dissolution Act, tax increment revenue received by the Successor Agency did not include funding for affordable housing. However, tax-sharing agreements negotiated with affected public educational entities, the Mid-Peninsula Open Space District, and Santa Clara County continue to be recognized. Nearly half of all Redevelopment Agency tax increment had been passed through to these taxing entities.

Successor Agencies may also receive tax increment revenue to pay for enforceable obligations that were incurred prior to the passage of the Dissolution Act. Under the Dissolution Act, Successor Agencies must approve and submit a Recognized Obligation Payment Schedule (ROPS) that reflects enforceable obligations over a six month period. Prior to the payment of any enforceable obligation, the ROPS must be certified by the County and subsequently approved by the Oversight Board. Successor Agencies must also approve and submit an administrative budget for operational expenses to the Oversight Board for approval. Successor Agencies may receive a minimum of up to \$250,000 or up to 3 percent of tax increment revenues received by the Successor Agency per fiscal year for administrative expenses, which is significantly lower than the Successor Agency’s current administrative expenses.

The Town has several existing enforceable obligations that must be paid over the remaining life of the debt service, or until the Successor Agency reaches the tax increment cap, which is the gross tax increment collected over the life of the Agency. The Town’s tax increment cap, which is anticipated to be reached by FY 2027/28, is approximately \$250 million. The Successor Agency currently pays debt service on two Certificates of Participation (COPs):

- **2002 COPs Payments for Redevelopment Agency Capital Projects:** In 2002, the Town issued debt for approximately \$10.8 million to fund RDA infrastructure projects in the project area. Annual debt service payments of approximately \$680,000 will continue through FY 2031/32.
- **2010 COPs Payments for Town Library:** In 2010, the Town issued debt for approximately \$15.7 million to fund the construction of the new library building. Annual debt service payments of approximately \$1.2 million will continue through FY 2027/28.
- **Agency Administration:** This pays for the day-to-day operations of the Successor Agency, including staff salary and benefits, supplies and materials, and consultant assistance. Annual budgeted expenditures are estimated to be approximately \$22,000.

The Town submitted the Last & Final ROPS to the State and it was approved by the State on April 6, 2016. The Town no longer needs to submit ROPS every six months and has scheduled the ROPS budget through FY 2031/32. At the end of FY 2031/32, the Town and the County will resolve any remaining balances.

**Successor Agency to the Los Gatos Redevelopment Agency**

**STATEMENT OF SOURCE AND USE OF FUNDS**

|  | <b>2012/13<br/>Actuals</b> | <b>2013/14<br/>Actuals</b> | <b>2014/15<br/>Actuals</b> | <b>2015/16<br/>Adopted</b> | <b>2015/16<br/>Estimated</b> | <b>2016/17<br/>Adopted</b> |
|--|----------------------------|----------------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| <b>SOURCES OF FUNDS</b>                |                            |                            |                            |                            |                              |                            |
| Beginning Fund Balance                 |                            |                            |                            |                            |                              |                            |
| <i>Designated</i>                      | \$ -                       | \$ -                       | \$ 2,260,068               | \$ 2,001,533               | \$ 2,001,533                 | \$ 1,963,327               |
| <i>Undesignated</i>                    | 3,397,555                  | 3,852,329                  | 1,355,427                  | 1,612,193                  | 1,612,193                    | 1,609,641                  |
| Total Beginning Fund Balance           | <u>3,397,555</u>           | <u>3,852,329</u>           | <u>3,615,495</u>           | <u>3,613,726</u>           | <u>3,613,726</u>             | <u>3,572,968</u>           |
| Revenues                               |                            |                            |                            |                            |                              |                            |
| <i>Property Tax</i>                    | -                          | -                          | -                          | -                          | -                            | -                          |
| <i>Other Taxes</i>                     | -                          | -                          | -                          | -                          | -                            | -                          |
| <i>Lease Income - COP's</i>            | 1,963,971                  | 1,935,578                  | 1,928,056                  | 1,922,398                  | 1,922,398                    | 1,923,303                  |
| <i>County RPTTF Reimbursement</i>      | 2,207,878                  | 2,067,063                  | 2,067,483                  | 2,025,918                  | 2,013,716                    | 1,947,986                  |
| <i>Interest</i>                        | 1,083                      | 224                        | 3,544                      | -                          | 1,660                        | 1,650                      |
| <i>Other Revenues</i>                  | -                          | -                          | -                          | -                          | -                            | -                          |
| Total Revenues                         | <u>4,172,932</u>           | <u>4,002,865</u>           | <u>3,999,083</u>           | <u>3,948,316</u>           | <u>3,937,774</u>             | <u>3,872,939</u>           |
| Transfers In                           |                            |                            |                            |                            |                              |                            |
| <i>Transfer from SA Administration</i> | -                          | -                          | -                          | -                          | -                            | -                          |
| <i>Transfer from RDA Debt Service</i>  | -                          | -                          | -                          | -                          | -                            | -                          |
| <i>Transfer from SA Housing</i>        | -                          | -                          | -                          | -                          | -                            | -                          |
| <i>Transfer from General Fund</i>      | 1,277,063                  | 21,687                     | -                          | 41,163                     | -                            | -                          |
| <i>Transfer from CIP</i>               | -                          | -                          | -                          | -                          | -                            | -                          |
| Total Transfers In                     | <u>1,277,063</u>           | <u>21,687</u>              | <u>-</u>                   | <u>41,163</u>              | <u>-</u>                     | <u>-</u>                   |
| <b>Total Revenues and Transfer Ins</b> | <b><u>\$ 5,449,995</u></b> | <b><u>\$ 4,024,552</u></b> | <b><u>\$ 3,999,083</u></b> | <b><u>\$ 3,989,479</u></b> | <b><u>\$ 3,937,774</u></b>   | <b><u>\$ 3,872,939</u></b> |
| <b>TOTAL SOURCE OF FUNDS</b>           | <b><u>\$ 8,847,550</u></b> | <b><u>\$ 7,876,881</u></b> | <b><u>\$ 7,614,578</u></b> | <b><u>\$ 7,603,205</u></b> | <b><u>\$ 7,551,500</u></b>   | <b><u>\$ 7,445,907</u></b> |
| <b>USES OF FUNDS</b>                   |                            |                            |                            |                            |                              |                            |
| Expenditures                           |                            |                            |                            |                            |                              |                            |
| <i>Salaries and Benefits</i>           | 24,105                     | 12,032                     | 13,455                     | 14,122                     | 14,125                       | 1,435                      |
| <i>Operating Expenditures</i>          | 607,457                    | 264,648                    | 5,565                      | 30,020                     | 5,357                        | 15,458                     |
| <i>Grants</i>                          | -                          | -                          | -                          | -                          | -                            | -                          |
| <i>Debt Service</i>                    | 4,064,111                  | 3,871,156                  | 3,856,111                  | 3,844,796                  | 3,844,796                    | 3,846,606                  |
| <i>Fixed Assets</i>                    | -                          | -                          | -                          | -                          | -                            | -                          |
| <i>Internal Service Charges</i>        | 3,635                      | 2,915                      | 552                        | 541                        | -                            | 56                         |
| Total Expenditures                     | <u>4,699,308</u>           | <u>4,150,751</u>           | <u>3,875,683</u>           | <u>3,889,479</u>           | <u>3,864,278</u>             | <u>3,863,555</u>           |
| Transfers Out                          |                            |                            |                            |                            |                              |                            |
| <i>Transfer to Capital Projects</i>    | -                          | -                          | -                          | -                          | -                            | -                          |
| <i>Transfer to General Funds</i>       | 295,913                    | 110,635                    | 125,169                    | 100,000                    | 114,254                      | 7,700                      |
| Total Transfers Out                    | <u>295,913</u>             | <u>110,635</u>             | <u>125,169</u>             | <u>100,000</u>             | <u>114,254</u>               | <u>7,700</u>               |
| Total Expenditures & Transfers Out     | <b><u>4,995,221</u></b>    | <b><u>4,261,386</u></b>    | <b><u>4,000,852</u></b>    | <b><u>3,989,479</u></b>    | <b><u>3,978,532</u></b>      | <b><u>3,871,255</u></b>    |
| Ending Fund Balance                    |                            |                            |                            |                            |                              |                            |
| <i>Designated</i>                      | -                          | 2,260,068                  | 2,001,533                  | 1,963,327                  | 1,963,327                    | 1,963,327                  |
| <i>Undesignated</i>                    | 3,852,329                  | 1,355,427                  | 1,612,193                  | 1,650,399                  | 1,609,641                    | 1,611,325                  |
| Total Ending Fund Balance              | <u>3,852,329</u>           | <u>3,615,495</u>           | <u>3,613,726</u>           | <u>3,613,726</u>           | <u>3,572,968</u>             | <u>3,574,652</u>           |
| <b>TOTAL USE OF FUNDS</b>              | <b><u>\$ 8,551,637</u></b> | <b><u>\$ 7,876,881</u></b> | <b><u>\$ 7,614,578</u></b> | <b><u>\$ 7,603,205</u></b> | <b><u>\$ 7,551,500</u></b>   | <b><u>\$ 7,445,907</u></b> |

**Successor Agency to the Los Gatos Redevelopment Agency**

**SUCCESSOR AGENCY TO THE LOS GATOS RDA PROGRAM STAFFING**

*Full Time Equivalent (FTE)*

| <i>Town Staff</i>      | <b>2012/13</b> | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> |
|------------------------|----------------|----------------|----------------|----------------|----------------|
|                        | <b>Funded</b>  | <b>Funded</b>  | <b>Funded</b>  | <b>Funded</b>  | <b>Funded</b>  |
| Administrative Analyst | 0.20           | 0.10           | 0.10           | 0.10           | 0.01           |
| <b>Total SA FTEs</b>   | <b>0.20</b>    | <b>0.10</b>    | <b>0.10</b>    | <b>0.10</b>    | <b>0.01</b>    |

# **Successor Agency to the Town of Los Gatos Redevelopment Agency**

## **ADMINISTRATION PROGRAM 9403**

### **PROGRAM PURPOSE**

The Successor Agency's Administration Fund encompasses administrative functions related to operational and fiscal matters of the Successor Agency, in conjunction with the Finance Department. Prior to the dissolution of the Redevelopment Agency, this fund also supported capital project development, management, and construction oversight; and economic vitality activities to enhance revenues through business promotion and retention. While there will be no future capital projects, with the exception of Almond Grove reconstruction project in the former Redevelopment Area, economic vitality efforts continue and are now supported by the General Fund.

### **BUDGET OVERVIEW**

The FY 2016/17 Administration Fund budget reflects approximately \$22,000 of tax increment revenue to cover the operational and fiscal reporting expenses of the Successor Agency. The Town's last and final ROPS has now been approved by the State. The Town will no longer have to submit ROPS every six months.



# **Successor Agency to the Town of Los Gatos Redevelopment Agency**

## **DEBT SERVICE PROGRAMS 9404 and 9405**

### **FUND PURPOSE**

Prior to the Dissolution Act, the Los Gatos Redevelopment Agency assumed the obligation of paying the debt service on the Town's 2002 and 2010 Certificates of Participation (COPs) in return for the lease of Town property. The purpose of the COPs was to fund key capital infrastructure projects located in the former Redevelopment Area. Payments for this indebtedness were and will continue to be made from the Debt Service Fund.

### **BUDGET OVERVIEW**

#### **PROGRAM 9404 – 2002 CERTIFICATE OF PARTICIPATION**

The Town bears an obligation for the 30-year Certificates of Participation issued in the original amount of \$10,725,000, dated August 1, 2002. The COPs were issued to finance infrastructure improvements in the downtown Redevelopment Area, including plaza reconstruction, streetscape improvements, street reconstruction, storm drainage, and alley improvements, as well as partially funding the reconstruction of the pool at Los Gatos High School. The COPs principal payments are due annually on August 1, with interest payments payable semi-annually on February 1 and August 1.

The financing structure of the COPs includes two lease agreements between the Town of Los Gatos and the Successor Agency for the Town of Los Gatos Redevelopment Agency dated July 1, 2002. The first agreement leases five Town-owned parcels, commonly known as the Miles Avenue Corporation Yard, to the Successor Agency through August 1, 2031 for a one-time fee of \$1. In the second lease, the Successor Agency subleases the same land back to the Town, effective the date of the original lease. The annual sub-lease payments are equal to the annual debt service for the COPs.

A reimbursement agreement between the Town and the Successor Agency, also dated July 1, 2002, obligates the Agency to reimburse the Town in an amount equal to the annual lease payment the Town pays to the Agency for the sub-lease of the Corporation Yard. This reimbursement is in consideration of the Town's cost of the acquisition and construction of the yard facilities.

**Successor Agency to the Los Gatos Redevelopment Agency &  
Debt Service**

While the annual impact of these agreements nets to zero, the lease and reimbursement payments are included in both the Town's and Successor Agency's budgets each year to accurately reflect the terms of these agreements. The Agency remains responsible for making the principal and interest payments.

The maturity schedule for the Successor Agency's current Debt Service obligation under the 2002 COPs is as follows:

**2002 COP DEBT SERVICE**

| <b>Fiscal Year</b>                | <b>Principal Maturing August 1st</b> | <b>Interest Due August 1st</b> | <b>Interest Due February 1st</b> | <b>Total Debt Service</b> | <b>Principal Balance</b> |
|-----------------------------------|--------------------------------------|--------------------------------|----------------------------------|---------------------------|--------------------------|
| <i>Issue Date: August 1, 2002</i> |                                      |                                |                                  |                           |                          |
| 2002/03                           | -                                    | -                              | \$ 237,164                       | \$ 237,164                | \$ 10,725,000            |
| 2003/04                           | \$ 210,000                           | \$ 235,854                     | 233,229                          | 679,083                   | 10,515,000               |
| 2004/05                           | 215,000                              | 233,229                        | 230,541                          | 678,770                   | 10,300,000               |
| 2005/06                           | 225,000                              | 230,541                        | 227,729                          | 683,270                   | 10,075,000               |
| 2006/07                           | 230,000                              | 227,729                        | 224,854                          | 682,583                   | 9,845,000                |
| 2007/08                           | 235,000                              | 224,854                        | 221,681                          | 681,535                   | 9,610,000                |
| 2008/09                           | 240,000                              | 221,681                        | 218,081                          | 679,763                   | 9,370,000                |
| 2009/10                           | 250,000                              | 218,081                        | 214,019                          | 682,100                   | 9,120,000                |
| 2010/11                           | 255,000                              | 214,019                        | 209,556                          | 678,575                   | 8,865,000                |
| 2011/12                           | 265,000                              | 209,556                        | 204,720                          | 679,276                   | 8,600,000                |
| 2012/13                           | 275,000                              | 204,720                        | 199,426                          | 679,146                   | 8,325,000                |
| 2013/14                           | 285,000                              | 199,426                        | 193,726                          | 678,153                   | 8,040,000                |
| 2014/15                           | 295,000                              | 193,726                        | 187,679                          | 676,405                   | 7,745,000                |
| 2015/16                           | 310,000                              | 187,679                        | 181,169                          | 678,848                   | 7,435,000                |
| <b>2016/17</b>                    | <b>320,000</b>                       | <b>181,169</b>                 | <b>174,209</b>                   | <b>675,378</b>            | <b>7,115,000</b>         |
| 2017/18                           | 335,000                              | 174,209                        | 166,755                          | 675,964                   | 6,780,000                |
| 2018/19                           | 350,000                              | 166,755                        | 158,793                          | 675,548                   | 6,430,000                |
| 2019/20                           | 365,000                              | 158,793                        | 150,306                          | 674,099                   | 6,065,000                |
| 2020/21                           | 385,000                              | 150,306                        | 141,163                          | 676,469                   | 5,680,000                |
| 2021/22                           | 400,000                              | 141,163                        | 131,463                          | 672,625                   | 5,280,000                |
| 2022/23                           | 420,000                              | 131,463                        | 121,225                          | 672,688                   | 4,860,000                |
| 2023/24                           | 440,000                              | 121,225                        | 110,500                          | 671,725                   | 4,420,000                |
| 2024/25                           | 465,000                              | 110,500                        | 98,875                           | 674,375                   | 3,955,000                |
| 2025/26                           | 485,000                              | 98,875                         | 86,750                           | 670,625                   | 3,470,000                |
| 2026/27                           | 510,000                              | 86,750                         | 74,000                           | 670,750                   | 2,960,000                |
| 2027/28                           | 535,000                              | 74,000                         | 60,625                           | 669,625                   | 2,425,000                |
| 2028/29                           | 565,000                              | 60,625                         | 46,500                           | 672,125                   | 1,860,000                |
| 2029/30                           | 590,000                              | 46,500                         | 31,750                           | 668,250                   | 1,270,000                |
| 2030/31                           | 620,000                              | 31,750                         | 16,250                           | 668,000                   | 650,000                  |
| 2031/32                           | 650,000                              | 16,250                         | -                                | 666,250                   | -                        |
| <b>TOTALS:</b>                    | <b>\$ 10,725,000</b>                 | <b>+ \$ 4,551,426</b>          | <b>+ \$ 4,552,737</b>            | <b>= \$ 19,829,163</b>    |                          |

**Successor Agency to the Los Gatos Redevelopment Agency &  
Debt Service**

**PROGRAM 9405 – 2010 CERTIFICATES OF PARTICIPATION**

The 2010 Certificates of Participation financing structure parallels the 1992 and 2002 issues. The Town bears an obligation for the 18-year Certificates of Participation issued in the original amount of \$15,675,000, dated June 1, 2010. The COPs were issued to finance the construction of the new Town library. The COPs principal payments are due annually on August 1, with interest payments payable semi-annually on February 1 and August 1.

The financing structure of the COPs includes two lease agreements between the Town of Los Gatos and the Successor Agency for the Town of Los Gatos Redevelopment Agency dated June 1, 2010. The first agreement leases Town-owned parcels, including the existing library, police administration building, and related property located at the Civic Center, to the Successor Agency through August 1, 2028 for a one-time fee of \$1. In the second lease, the Successor Agency subleases the properties back to the Town, effective the date of the original lease. The annual sub-lease payments are equal to the annual debt service for the COPs.

A reimbursement agreement between the Town and Agency, also dated June 1, 2010, obligates the Agency to reimburse the Town in an amount equal to the annual lease payment the Town pays to the Agency for the sub-lease of the existing library, police administration building, and related properties. This reimbursement is in consideration of the Town's cost of the acquisition and construction of the library and police facilities.

While the annual impact of these agreements nets to zero, the lease and reimbursement payments are included in both the Town's and Successor Agency's budgets each year to accurately reflect the terms of these agreements. The Agency remains responsible for making the principal and interest payments.

The maturity schedule for the Successor Agency's current Debt Service obligation under the 2010 COPs is as follows:

**Successor Agency to the Los Gatos Redevelopment Agency &  
Debt Service**

**2010 COP DEBT SERVICE**

| <b>Fiscal Year</b>              | <b>Interest Due August 1st</b> | <b>Principal Maturing August 1st</b> | <b>Interest Due February 1st</b> | <b>Total Debt Service</b> | <b>Principal Balance</b> |
|---------------------------------|--------------------------------|--------------------------------------|----------------------------------|---------------------------|--------------------------|
| <i>Issue Date: June 1, 2010</i> |                                |                                      |                                  |                           |                          |
| 2010/11                         |                                |                                      | 423,161                          | 423,161                   | \$ 15,675,000            |
| 2011/12                         | 320,038                        | 530,000                              | 313,413                          | 1,163,450                 | 15,145,000               |
| 2012/13                         | 313,413                        | 650,000                              | 300,413                          | 1,263,825                 | 14,495,000               |
| 2013/14                         | 300,413                        | 670,000                              | 287,013                          | 1,257,425                 | 13,825,000               |
| 2014/15                         | 287,013                        | 695,000                              | 269,638                          | 1,251,650                 | 13,130,000               |
| 2015/16                         | 269,638                        | 715,000                              | 258,913                          | 1,243,550                 | 12,415,000               |
| <b>2016/17</b>                  | <b>258,913</b>                 | <b>745,000</b>                       | <b>244,013</b>                   | <b>1,247,925</b>          | <b>11,670,000</b>        |
| 2017/18                         | 244,013                        | 770,000                              | 224,763                          | 1,238,775                 | 10,900,000               |
| 2018/19                         | 224,763                        | 800,000                              | 208,763                          | 1,233,525                 | 10,100,000               |
| 2019/20                         | 208,763                        | 830,000                              | 192,163                          | 1,230,925                 | 9,270,000                |
| 2020/21                         | 192,163                        | 865,000                              | 174,863                          | 1,232,025                 | 8,405,000                |
| 2021/22                         | 174,863                        | 900,000                              | 152,363                          | 1,227,225                 | 7,505,000                |
| 2022/23                         | 152,363                        | 935,000                              | 133,663                          | 1,221,025                 | 6,570,000                |
| 2023/24                         | 133,663                        | 975,000                              | 114,163                          | 1,222,825                 | 5,595,000                |
| 2024/25                         | 114,163                        | 1,020,000                            | 93,763                           | 1,227,925                 | 4,575,000                |
| 2025/26                         | 93,763                         | 1,065,000                            | 72,463                           | 1,231,225                 | 3,510,000                |
| 2026/27                         | 72,463                         | 1,115,000                            | 50,163                           | 1,237,625                 | 2,395,000                |
| 2027/28                         | 50,163                         | 1,170,000                            | 26,031                           | 1,246,194                 | 1,225,000                |
| 2028/29                         | 26,031                         | 1,225,000                            |                                  | 1,251,031                 | -                        |
| <b>TOTALS:</b>                  | <b>\$ 3,436,594</b>            | <b>+ \$ 15,675,000</b>               | <b>+ \$ 3,539,717</b>            | <b>= \$ 22,651,311</b>    |                          |

**Successor Agency to the Los Gatos Redevelopment Agency &  
Debt Service**

California Government Code Section 43605 states: "A city shall not incur an indebtedness for public improvements which exceeds in the aggregate 15 percent of the assessed value of all real and personal property of the city. Within the meaning of this section indebtedness means bonded indebtedness of the city payable from the proceeds of taxes levied upon taxable property in the city."

This schedule calculates the Town's legal debt margin by determining the 15% debt limit and comparing this limit to the Town's outstanding debt at the end of the fiscal year to determine the difference between the two. Only certain types of outstanding debt are subject to the legal debt limit; therefore, while this schedule recognizes all debt, the total debt is reduced by that debt not subject to the legal debt limit, as well as amounts held in sinking funds for debt repayment.

The Town's debt structure currently includes only Certificates of Participation, which are not subject to the legal debt limit, and are therefore removed from the calculation.

**LEGAL DEBT MARGIN COMPUTATION  
FY 2016/17**

|  |                         |
|--|-------------------------|
| Assessed Secured Property Valuation for FY 2015/16 | \$ 10,375,010,557       |
| Debt Limitation (15% of assessed value)            | <u>15%</u>              |
| <b>Bonded Debt Limit</b>                           | <b>\$ 1,556,251,584</b> |

**Outstanding Bonded Debt at 6/30/16**

|                                    |                      |
|------------------------------------|----------------------|
| 2002 Certificates of Participation | 7,435,000            |
| 2010 Certificates of Participation | <u>12,415,000</u>    |
| <b>TOTAL Outstanding Debt</b>      | <b>\$ 19,850,000</b> |

**LESS Debt not subject to limit:**

|   |                      |
|---|----------------------|
| Special Assessment Bonds                | -                    |
| Special Revenue Bonds                   | -                    |
| Certificate of Participation Debt       | 19,850,000           |
| Amounts held in Sinking Funds           | <u>-</u>             |
| <b>TOTAL Debt not subject to limit:</b> | <b>\$ 19,850,000</b> |

**Amount of Debt Subject to Limit:** \$ - \$ -

|                          |                         |
|--------------------------|-------------------------|
| <b>LEGAL DEBT MARGIN</b> | <b>\$ 1,556,251,584</b> |
|--------------------------|-------------------------|

