Debt Service

The City of West Covina, the Community Development Commission, and the Public Financing Authority (PFA) have issued debt instruments to finance capital projects and equipment. The three governmental units, although related, are distinct legal entities. The debt of the Community Development Commission (the former Redevelopment Agency) has been assumed by the Successor Agency to the City of West Covina Redevelopment Agency ("Successor Agency"). The City currently does not intend to new issue debt.

The City has tax-based revenue from which to repay debt. The Successor Agency receives an allocation of property taxes from the Redevelopment Property Tax Trust Fund (RPTTF) in an amount sufficient to meet the annual debt service requirements. The PFA has no ability to generate revenues, other than through charges for the use of money and property. Debt between related governments has not been budgeted, as doing so would result in double-counting the debt and related revenues.

The State of California Government Code section 43605 states legal debt margin shall not exceed 15% of gross assessed value of all real and personal property of the City. The City does not have debt applicable to the debt limit limitation, since none of the debt is backed by taxes levied upon taxable property.

The City was rated by Standard & Poor's Rating Services, a well-known rating agency, which affirmed its rating of "A+". Rating Agencies rate how likely debt will be repaid by an entity. The ratings are for informational purposes, they do not predict probability of default, or investment recommendations. Historically, bonds that receive a high letter grade can pay a lower interest rate than one with a lower grade.

Bond Rating	Grade	Risk
AAA	Investment	Lowest Risk
AA	Investment	Low Risk
A	Investment	Low Risk
BBB	Investment	Medium Risk
BB, B	Junk	High Risk
CCC, CC, C	Junk	Highest Risk
D	Junk	In Default

Summary of all Outstanding Debt

Summary of All Debt by Principal and Interest

Year-ending June 30	Principal	Interest	Total
2023	12,669,990	9,270,688	21,940,678
2024	7,946,684	8,914,931	16,861,615
2025	8,394,403	8,691,320	17,085,723
2026	9,873,320	8,613,410	18,486,730
2027-2031	43,265,499	38,046,416	81,311,915
2032-2036	58,153,040	29,449,469	87,602,509
2037-2041	61,070,097	17,703,150	78,773,247
2042-2045	60,374,559	4,859,624	65,234,183
Total	**$261,747,592**	**$125,549,008**	**$387,296,600**

Summary of All Debt by Series or Type

Year-ending June 30	Successor Agency Note	1996 Bonds	2017 Bonds	2006 Bonds	2018 Bonds	2020 Bonds	Loans Payable	Total
2023	578,918	5,052,150	1,630,613	1,432,557	1,862,011	10,906,799	477,630	21,940,678
2024	578,918	0	1,415,406	1,431,879	1,860,569	11,114,083	460,760	16,861,615
2025	578,918	0	1,407,281	1,429,295	1,856,750	11,338,563	474,916	17,085,723
2026	578,918	0	2,855,929	1,429,802	1,860,871	11,271,662	489,548	18,486,730
2027-31	2,894,590	0	253,156	7,162,583	9,253,880	59,821,914	1,925,792	81,311,915
2032-36	2,315,663	0	0	8,128,908	9,166,200	66,042,516	1,949,222	87,602,509
2037-41	0	0	0	0	4,081,200	72,920,632	1,771,415	78,773,247
2042-45	0	0	0	0	389,200	63,765,754	1,079,229	65,234,183
Total	**$7,525,925**	**$5,052,150**	**$7,562,385**	**$21,015,024**	**$30,330,681**	**$307,181,923**	**$8,628,512**	**$387,296,600**

Debt Issued by City of West Covina Public Financing Authority – Bonds Payable

2020 West Covina Public Financing Authority Lease Revenue Bonds, Series A
Original Issue - $204,095,000

On July 7th, 2020, City Council authorized fixed rate Bonds be issued in the aggregate principal amount not to exceed $205,000,000 on a taxable basis through a negotiated sale not to exceed 25 years of final maturity. Bonds were issued for the purposes of funding: (i) all or a portion of its CalPERS Obligation, including normal costs; (ii) working capital for the City; (iii) a reserve for the Bonds; and (iv) costs of issuing the Bonds. The Bonds were issued under the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code. On July 23, 2020, the West Covina Public Financing Authority issued Series A Lease Revenue Bonds in the amount of $204,095,000 for the purposes of funding a portion of its CalPERS obligation, capital improvements for the City, a reserve for the 2020A bonds and its cost of issuance. Interest rates range from 1.747% to 3.892% over the term of the bonds. The final maturity date is August 2045.

Sources and Uses of Funds, Final Numbers as of July 23, 2020:

Sources:		
Bond Proceeds:		
Par Amount	204,095,000.00	Debt Proceeds Deposited in Debt Service Fund
	204,095,000.00	
Uses:		
Project Fund Deposits:		
UAL Payoff	185,582,239.54	Transferred from Debt Service to General Fund, City then paid CalPERS
Working Capital	1,000,000.00	Transferred from Debt Service Fund to Capital Fund
	186,582,239.54	
Other Fund Deposits:		
Debt Service Reserve Fund	16,418,403.30	Remains in Debt Service Fund
Delivery Date Expenses:		
Cost of Issuance	445,335.06	Expended from Debt Service Fund
Underwriter's Discount	649,022.10	Expended from Debt Service Fund
	1,094,357.16	
	204,095,000.00	

Year-ending June 30	2020 Series A, Principal	2020 Series A, Interest	Total
2023	3,925,000	6,981,799	10,906,799
2024	4,210,000	6,904,083	11,114,083
2025	4,525,000	6,813,563	11,338,563
2026	4,560,000	6,711,662	11,271,662
2027-2031	28,370,000	31,451,914	59,821,914
2032-2036	40,055,000	25,987,516	66,042,516
2037-2041	55,805,000	17,115,632	72,920,632
2042-2045	59,000,000	4,765,754	63,765,754
Total 2020 Bonds	**$200,450,000**	**$106,731,923**	**$307,181,923**

2018 West Covina Public Financing Authority Lease Revenue Refunding Bonds, Series A and B
Original Issue - $24,165,000

This was composed of Series A ($19,310,000) and Series B ($4,855,000) Taxable bonds issued on November 20, 2018. The bonds are payable from lease payments from the City's General Fund as rental for certain public facilities. Interest rates range from 2.953% to 5.0% over the term of the bonds. The final maturity date is May 2044.

Year-ending June 30	2018 A Principal	2018 A Interest	2018 B Principal	2018 B Interest	Total
2023	535,000	805,400	375,000	146,611	1,862,011
2024	560,000	778,650	390,000	131,919	1,860,569
2025	585,000	750,650	405,000	116,100	1,856,750
2026	620,000	721,400	420,000	99,471	1,860,871
2027-2031	4,055,000	3,113,500	1,875,000	210,380	9,253,880
2032-2036	7,390,000	1,776,200	0	0	9,166,200
2037-2041	3,750,000	331,200	0	0	4,081,200
2042-2044	360,000	29,200	0	0	389,200
Total 2018 Bonds	**$17,855,000**	**$8,306,200**	**$3,465,000**	**$704,481**	**$30,330,681**

2006 Lease Revenue Bonds for Big League Dreams Project
Original Issue - $10,710,000 Series A, $7,295,000 Series B (Taxable)

Issued to provide funds for the construction of the West Covina Big League Dreams Sports Park and adjacent infrastructure improvements. Series A Bonds are payable from base rental payments from Series A Site (six replica stadiums, a multi-sport pavilion, restaurants, batting cages, playgrounds and administration and maintenance facilities). Interest rates range from 4.0% to a maximum of 5.0% over the term of the bonds. Series B Bonds are payable from rental payments for Series B Site (comprised of the North Parking Structure located at the West Covina Civic Center Complex). Interest rates range from 5.39% to 6.07% over the term of the bonds.

Year-ending June 30	2006 A Principal	2006 A Interest	2006 B Principal	2006 B Interest	Total
2023	405,000	445,000	255,000	327,557	1,432,557
2024	425,000	424,750	270,000	312,129	1,431,879
2025	445,000	403,500	285,000	295,795	1,429,295
2026	465,000	381,250	305,000	278,552	1,429,802
2027-2031	2,710,000	1,531,500	1,830,000	1,091,083	7,162,583
2032-2036	4,450,000	759,250	2,455,000	464,658	8,128,908
Total 2006 Bonds	**$8,900,000**	**$3,945,250**	**$5,400,000**	**$2,769,774**	**$21,015,024**

Debt Issued by the City of West Covina – Notes Payable

Energy Efficiency Loans Payable
Original Note - $6,602,048

In May 2021, the City entered into two lease-purchase agreements for the acquisition and installation of certain energy conservation equipment and improvements (solar) and installation of certain energy conservation equipment including lighting and HVAC (non-solar) with an aggregate principal borrowing of $6,602,048.

Year-ending June 30	Energy Principal	Energy Interest	Solar Principal	Solar Interest	Total
2023	173,982	93,648	92,090	117,910	477,630
2024	162,331	88,429	95,435	114,565	460,760
2025	181,583	83,333	98,902	111,098	474,916
2026	201,908	77,640	102,494	107,506	489,548
2027-2031	837,324	248,468	448,585	391,415	1,925,792
2032-2036	969,976	139,246	517,401	322,599	1,949,222
2037-2041	586,476	22,819	928,621	233,499	1,771,415
2042-2044	0	0	1,014,559	64,670	1,079,229
Total 2018 Bonds	**$3,113,580**	**$753,583**	**$3,298,087**	**$1,463,262**	**$8,628,512**

Successor Agency Note - $11,578,351

On December 4, 2015, the City and Successor Agency entered into a settlement agreement with the California Department of Finance (DOF) regarding the Other Funds Due Diligence Review. The agreement requires the City to repay the Successor Agency $11,578,351 for transfers that did not represent enforceable obligations. The Successor Agency will then remit these funds to the Los Angeles County Auditor-Controller for allocation to the affected taxing entities. The amount of the note must be repaid through biannual payments in the amount of $289,459 each on January 15th and June 15th until the loan is repaid in full on June 15, 2035. There is no interest charged on this repayment.

Year-ending June 30	Notes Payable Principal
2023	578,918
2024	578,918
2025	578,918
2026	578,918
2027-2031	2,894,590
2032-2035	2,315,663
Total	**$ 7,525,925**

Debt Issued by the Former Redevelopment Agency – Bonds Payable

2017 Tax Allocation Revenue Refunding Bonds, Series A (Tax-Exempt) & B (Federally Taxable)
Original Issue - $15,380,000

This is composed of Series A ($4,725,000) and Series B ($10,655,000) bonds issued in February 2017, to refinance the 1998 Housing Set-Aside Tax Allocation Bonds, Series A and B, the 2001 Housing Set-Aside Tax Allocation Revenue Bonds, the 2002 Tax Allocation Refunding Bonds and the 1999 Taxable Variable Rate Demand Tax Allocation Bonds. Interest rates range from 2.0% to a maximum of 5.0% over the term of the Series A bonds and from 1.0% to a maximum of 4.0% over the term of the Series B bonds. The bonds are payable from and secured by designated property tax revenues (formerly tax increment revenues).

Year-ending June 30	Series A Principal	Series A Interest	Series B Principal	Series B Interest	Total
2023	410,000	56,225	1,015,000	149,388	1,630,613
2024	435,000	37,275	820,000	123,131	1,415,406
2025	450,000	19,575	840,000	97,706	1,407,281
2026-2030	470,000	5,288	2,150,000	230,641	2,855,929
2031-2032	0	0	245,000	8,156	253,156
Total 2017 Bonds	**$1,765,000**	**$118,363**	**$5,070,000**	**$609,022**	**$7,562,385**

1996 Special Tax Refunding Bonds Community Facilities District No. 1989-1 (Fashion Plaza Project), Original Issue - $51,220,000

A Special Tax levy, sales tax increment and property tax increment revenues secure repayment. The serial bonds matured during the fiscal year ended June 30, 2007. The term bonds bear interest at a rate from 5.75% to 6.0% payable semiannually on March 1st and September 1st of each year. Final maturity is in September 2022.

Year-ending June 30	Principal	Interest	Total
2023	4,905,000	147,150	5,052,150
Total 1996 Bonds	**$ 4,905,000**	**$ 147,150**	**$ 5,052,150**

Sales and Use Tax Reimbursement Agreement

The former Redevelopment Agency agreed to reimburse the City for sales tax revenues used to secure CFD bonds. Under the agreement, all previously foregone sales tax through FY 2005-06 totaling $9.6 million will be repaid starting FY 2005-06, spread over 20 years at 4% interest. These repayments will be combined with the annual reimbursement of future sales tax amounts. The total annual payments would range from $1.5 million in 2005-06 to a high of $2.9 million in 2021-22 with final payments totaling $1.2 million in 2024-25. In the event sufficient revenues to make the scheduled payments do not exist, the amount will carry forward with no default on the agreement. Said agreement may be amended so long as owners of obligations payable from the tax increment are not harmed. As a result of redevelopment dissolution, this agreement has also been deemed invalid by the Department of Finance (DOF) at this time. Staff continues to research ways to get this agreement approved by the DOF.