

# **MEASURE J FINANCING CONSIDERATIONS**

**May 2, 2013**

# Measure J Sales Tax

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- Measure J Sales Tax is a General Revenue of the City, Not a Special Revenue
- Measure J Sales Tax Cannot be Pledged Directly to Bonds
- Incorporated into the City's General Fund Budget and Credit Profile

## **Traditional General Purpose Financing**

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- Under State Law, City Cannot Pledge General Fund Revenues Directly to Bonds
- Typically, Cities Will Lease an Asset and Pledge Lease Payments to be Made to Secure the Payment of Bonds
- Subject to Annual Appropriation
- Value of Leased Asset Must be at Least Equal to Bonds Issued

# Overall City Financing Capacity

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- Existing Indebtedness
- Credit Factors
- Leased Asset Values

# Credit Factors

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- Debt Per Capita
- Debt Service as a % of General Fund Budget
- Debt as a % of Assessed Value

# Leased Asset Considerations

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- Essentiality
- Appraised Value
- Deed Restrictions

# Financing Capacity For New Projects

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- Approximately \$1,000,000 Additional Annual General Fund Debt Service
- 23 Remaining Years of Measure J Sales Tax (After 2014)
- Gross Bond Amount = \$14.2 M;  
Net Proceeds = \$12.9 M (less \$1M Reserve and \$250,000 Costs)
- Limit Borrowing to What Can be Spent in 3 Years

## Measure A Alternative

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- Measure A is a Special Revenue That Can be Pledged Directly
- Does Not Require a Leased Asset for Security
- If Measure J Projects Would Qualify for Measure A Purposes, City can Issue Measure A Bonds but Pay With Measure J

# Measure A Alternative

## Measure A Financing Limitations

- 1.50x Revenue: Debt Service Coverage
- Maximum Annual Payment \$940,000

## Net Proceeds

Annual Payments	4 Year	5 Year	6 Year	10 Year
Net Proceeds	\$3.31 M	\$4.09 M	\$4.83 M	\$7.47 M