



Debt Service DEBT POLICIES

DEBT POLICY

The following Debt Policy excerpt is taken from Section 1.7 of the City's Financial Policy Manual:

The purpose of this policy is to establish debt issuance guidelines. This policy is applicable to all debt issuance for the City of Ontario.

1. The City will seek to maintain, and if possible, improve its current bond rating so its borrowing costs are minimized and its access to credit is preserved.

Sound financial practices, debt management and capacity, and competent management support the maintenance of the City's current bond rating. In its relations with rating agencies and the investment community, the City will follow a policy of full disclosure, as required by legal and professional practices.

2. The City will have a specific set of debt issuance guidelines consistent with Federal, State, and local laws and policies.

The debt guidelines will recognize how much debt the community can support, not only based on debt of the City, but debt of overlapping jurisdictions as well. Debt should not be used for the provision of routine operation unless it is only for cash flow purposes or the borrowing costs are less than the rate of invested funds. Debt should never be issued for a period longer than the estimated useful life of an improvement or asset.

3. Credit Worthiness

The City will seek to maintain, and as possible, improve its current credit rating so its borrowing costs are minimized and its access to credit is preserved and enhanced.

The City will maintain good communications about its financial condition with bond and credit rating institutions.

The City will follow a policy of full disclosure for all disclosure documents, which meets or exceeds the disclosure guidelines as developed by the Government Finance Officers Association.

4. Borrowing Purposes

The City will not fund current operations from the proceeds of borrowed funds, except for short-term cash flow borrowing such as Tax Anticipation Notes.

The City will confine long-term borrowing to capital improvements, projects, or equipment, which cannot be funded from current revenues.

5. Debt Repayment

When the City uses long-term debt financing, it will repay the debt within a period not to exceed the useful life of the improvements or equipment.



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Whenever possible, debt shall be self-supporting, and will be revenue debt, or revenue-backed with a general obligation pledge.

The general obligation pledge will be used only for projects, which have a general benefit to City residents, which cannot be self-supporting.

Neighborhood Improvement Bonds may be issued for extra-territorial assessments. Such bonds shall be secured by the assessment payments and be reserves funded from other payments made by the benefited parties. The term of the bonds shall match the projected cash flow from assessment payments and foreclosure sales.

Advance refunding will be undertaken only when the net present value savings exceeds 4% or when the restructuring of debt is in the City's financial interest.

Lease purchase debt, including certificates of participation, will be considered as an alternative to long-term vendor leases when cost effective. Such debt will be subject to annual appropriation and administered by the Finance Department.

Long-term lease purchases for buildings and facilities will be used when the cost of a lease purchase is lower than other options or if deemed appropriate because of time constraints, etc.

6. Key Debt Ratios

There are several key debt ratios that investors and financial analysts use when reviewing a City's credit worthiness. The City of Ontario has established a set of guidelines which are to be used when reviewing the key debt ratios. These numbers are indicators of financial stability. Below is a listing of the City's key debt ratios:

Type of Ratio	Guideline
Net Direct Bonded Debt as percentage of Assessed Value	20%
Net Direct Bonded Debt Per Capita	\$750
Net Direct Bonded Debt Per Capita as Percentage of Per Capita Income	3.0%
General Obligation Debt Service as a Percentage of General Fund Revenues	10.0%
Percentage of Total Debt that will be retired at the end of Ten Years Expenditures	50.0%

7. Conduit Financing

Recognizing that the City is able to issue debt for broad purposes, it may be appropriate to issue on behalf of another party when the City Council, after a complete review process, determines that the proposed project will provide a general benefit to City residents.

The City will consider issuing conduit financing which will not impair the City's credit rating. Any financing issued through the City shall qualify for an investment grade rating by one or both of the two top rating agencies.



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All expenses related to conduit financing will be borne by the applicants. The City shall establish review procedures for projects, including public contracting and financial fees.

8. Other Financing

Entities associated with the City may issue debt subject to the same criteria listed above. Debt issued by City agencies shall be approved by the City Council.



Debt Service DEBT SCHEDULE – GENERAL FUND

GENERAL FUND DEBT DESCRIPTIONS

During 2008, the City entered into a lease agreement to purchase a Rescue 1 replacement unit for the Fire Department. Annual payments of \$29,275.35 are due in August, with the final payment being due August 2013.

Fiscal Year	Principal	Interest	Total
2012	\$25,296.38	\$3,978.97	\$29,275.35
2013	\$26,558.67	\$2,716.68	\$29,275.35
	\$27,883.94	Remaining Principal Balance at 6/30/13	

During 2011, the City entered into a financing agreement for a portion of the Fire Substation Project for the Fire Department. Annual payments of \$69,000 are due in June, with the final payment being due June 2017.

Fiscal Year	Principal	Interest	Total
2012	\$59,731.54	\$9,268.46	\$69,000.00
2013	\$61,858.10	\$7,141.90	\$69,000.00
	\$170,454.36	Remaining Principal Balance at 6/30/13	

All other General Fund equipment lease agreements have been paid in full.

Total General Fund Debt Service			
Fiscal Year	Principal	Interest	Total
2012	\$85,027.92	\$13,247.43	\$98,275.35
2013	\$88,416.77	\$9,858.58	\$98,275.35
	\$198,338.30	Remaining Principal Balance at 6/30/13	

The City's direct bonded indebtedness limit, based on 20% of the Assessed Valuation, \$644,395,970, is \$128,879,194. Since the General Fund has no bonded indebtedness, the entire debt limit is currently available.



Debt Service DEBT SCHEDULE – WATER FUND

WATER FUND DEBT DESCRIPTIONS

During 2002, the City entered into a loan agreement with US Bank for the Bench Reservoir Construction project. Payments of interest and principal are due semi-annually on June 15 and December 15, through December of 2012. Interest accrues at the rate of 4.5%.

Fiscal Year	Principal	Interest	Total
2012	\$86,679.90	\$5,850.90	\$92,530.80
2013	\$86,679.90	\$1,950.30	\$88,630.20
	\$ 0.00	Remaining Principal Balance at 6/30/13	

During 2007, the City entered into a loan agreement with the Oregon Economic and Community Development Department to complete an upgrade to the water treatment plant. Payments of interest and principal are due annually on December 1, through December of 2031. Interest accrues at the rate of 4.00% thru 2019, then increases to 4.125% in 2019, 4.2% in 2020, 4.25% in 2021, 4.30% in 2023, and finally to 4.375% in 2024 until the loan is paid. The City may prepay the loan without penalty after January 2017.

Fiscal Year	Principal	Interest	Total
2012	\$126,308.00	\$171,713.06	\$298,021.06
2013	\$132,160.00	\$166,660.74	\$298,820.74
	\$3,796,319.00	Remaining Principal Balance at 6/30/13	

Total Water Fund Debt Service			
Fiscal Year	Principal	Interest	Total
2011	\$212,988	\$177,564	\$390,551.86
2012	\$218,840	\$168,611	\$387,450.94
	\$3,796,319	Remaining Principal Balance at 6/30/13	

These loans are payable solely from revenues of the City's water utility system, specifically the Water Fund, after deduction of operating and maintenance costs. During the year ended June 30, 2011, net revenues of \$640,845.06 were available to pay annual debt service of \$393,450.49.



Debt Service DEBT SCHEDULE – SEWER FUND

SEWER FUND DEBT DESCRIPTIONS

During 1995, the City entered into a loan agreement R70610 with the Oregon Department of Environmental Quality to upgrade the wastewater treatment plant. Payments of interest and principal are due semi-annually on May 1 and November 1, through November of 2014. Interest accrues at the rate of 3.0%.

Fiscal Year	Principal	Interest	Total
2012	\$502,941.84	\$49,036.83	\$551,978.67
2013	\$502,941.84	\$33,948.58	\$536,890.42
	\$754,412.88	Remaining Principal Balance at 6/30/13	

During 1998, the City entered into a loan agreement R70611 with the Oregon Department of Environmental Quality to purchase property for land application of treated sewer effluent and to expand the storage lagoon system at the wastewater treatment plant. Payments of interest and principal are due semi-annually on February 1 and August 1, through February of 2018. Interest accrues at the rate of 3.98%.

Fiscal Year	Principal	Interest	Total
2012	\$95,828.50	\$32,747.17	\$128,575.67
2013	\$99,680.43	\$28,406.56	\$128,086.99
	\$561,823.12	Remaining Principal Balance at 6/30/13	

During 2000, the City entered into a loan agreement R70612 with the Oregon Department of Environmental Quality to purchase property for land application of treated sewer effluent and to expand the wastewater treatment plant capacity. Payments of interest and principal are due semi-annually on January 1 and July 1, through July of 2019. Interest accrues at the rate of 3.69%.

Fiscal Year	Principal	Interest	Total
2012	\$148,653.00	\$59,236.00	\$207,889.00
2013	\$154,188.00	\$52,944.00	\$207,132.00
	\$1,152,129.00	Remaining Principal Balance at 6/30/13	

During 2009, the City entered into a loan agreement with the Oregon Economic and Community Development Department to complete a sewer lift station project that would improve the sewer distribution system from the City to the wastewater treatment plant. Payments of interest and principal are due annually on December 1, through December of 2033. Interest accrues at a varying rate ranging from 3.0% to 5.25% throughout the life of the loan. The City may prepay the loan without penalty after January 2019.

Fiscal Year	Principal	Interest	Total
2012	\$103,081.00	\$168,309.66	\$271,390.66
2013	\$108,714.00	\$164,701.82	\$273,415.82
	\$3,468,662.00	Remaining Principal Balance at 6/30/13	



Debt Service DEBT SCHEDULE – SEWER FUND

Total Sewer Fund Debt Service			
Fiscal Year	Principal	Interest	Total
2012	\$850,504	\$309,330	\$1,159,834.00
2013	\$865,524	\$280,001	\$1,145,525.23
	\$5,937,027	Remaining Principal Balance at 6/30/13	

These loans are payable solely from revenues of the City's utility system and specifically the Sewer Fund, after deduction of operating and maintenance costs. During the year ended June 30, 2011, net revenues of \$885,720.72 were available to pay annual debt service of \$1,176,070.97.



Debt Service DEBT SCHEDULE – DEBT SERVICE FUND

DEBT SERVICE FUND DEBT DESCRIPTIONS

During 2004, the City completed a Limited Tax Improvement Bond for Local Improvement Districts No. 44 and No. 45. Annual payments of \$27,688.33 in fixed principal payments plus interest are due in September and March each year, with the final payment being due September 2019.

Fiscal Year	Principal	Interest	Total
2012	\$55,376.66	\$21,700.74	\$77,077.40
2013	\$55,376.66	\$19,070.34	\$74,447.00
	\$359,948.39	Remaining Principal Balance at 6/30/13	

All other Debt Service loans have been paid in full.

Total Debt Service Fund Debt Service			
Fiscal Year	Principal	Interest	Total
2012	\$55,376.66	\$21,700.74	\$77,077.40
2013	\$55,376.66	\$19,070.34	\$74,447.00
	\$359,948.39	Remaining Principal Balance at 6/30/13	