

SESSION TWO

Overview of a Debt Issuance



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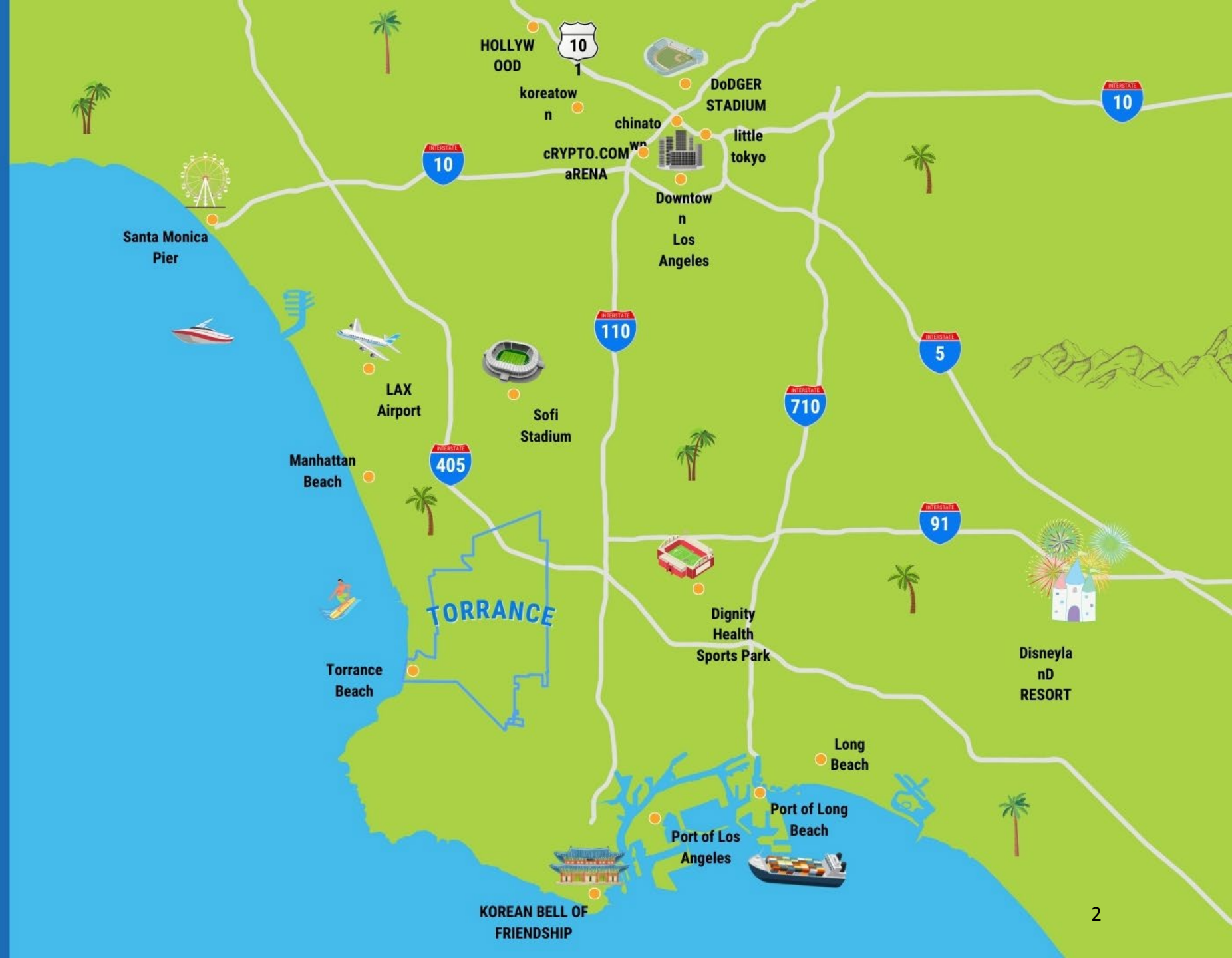


FACTS ABOUT CITY OF TORRANCE

LOCATED IN THE SOUTHWEST REGION OF LA COUNTY, TORRANCE IS SITUATED TRULY IN THE HEART OF THE SOUTH BAY. BOUND BY 1.5 MILES OF BEAUTIFUL COASTLINE, THE CITY SPANS 21 SQUARE MILES AND HAS A POPULATION OF NEARLY 144,000 IN THE EVENING.

TOP 8 HIGHEST-VALUED CITY IN LA COUNTY. (\$38.2 BILLION ASSESSED VALUATION)

PRODUCING THE 3RD HIGHEST SALES TAX REVENUE IN LA COUNTY.



Full-Service City



Police and Fire
Protection



Water and Sanitation
Services



Municipal Airport &
Bus Transit Services



Construction and Maintenance of
Streets and Infrastructure



Recreational
Activities



Debt History

A black calculator with a green LCD screen is positioned in the foreground. Behind it, a pair of black-rimmed glasses rests on a document. The document features a blue bar chart at the top and a colorful pie chart at the bottom left. The pie chart has segments labeled with percentages: 6%, 6%, 7%, 9%, and 3%.

Torrance Debt History

General Fund

- 1998 Refunding COP – Police & Fire Station
- 2004 COP (A/B) – Street, Storm drain, building improvements
- 2009 COP – Land Acquisition
- 2014 COP – Refund 2004 A/B & fund water improvements
- 2016 Refunding COP – Refund 2009 (Land & E.O.C.)
- 2020 LRB – (CalPERS Pension UAL Restructuring)
- 2021 LRB – Refund 2014 COP (water, street, storm drains)

Stable rating of AA since 2014

Torrance Debt History

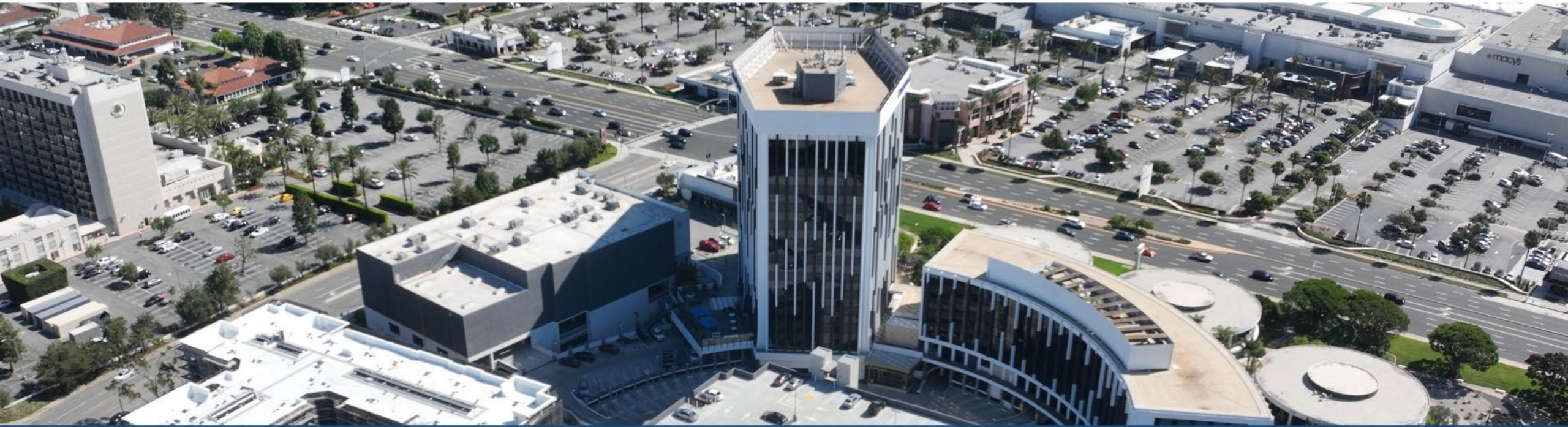
Water Fund



- 2004 Water Refunding Bonds
- 2017 Installment Sale

Torrance Debt History

Redevelopment Agency



- 1998 Refunding TAB (4 series)
- 2001 Refunding TAB
- 2018 TAB Refunding

Torrance Debt History

Tax & Revenue Anticipation Notes

- | | |
|---------------------|---------------------|
| • 2007-08 - \$28M | • 2014-15 - \$31M |
| • 2008-09 - \$25M | • 2015-16 - \$37.6M |
| • 2009-10 - \$23M | • 2016-17 - \$42.1M |
| • 2010-11 - \$33M | • 2017-18 - \$40M |
| • 2011-12 - \$38M | • 2018-19 - \$34M |
| • 2012-13 - \$32.5M | • 2019-20 - \$44.7M |
| • 2013-14 - \$30M | |

Rating of MIG-1 or SP-1+ for all TRANS

Debt Profile

- Torrance **not** considered an “active” issuer
- Maintains strong credit
- Budgets capital projects with cash and reserves as much as possible (conservative management style)

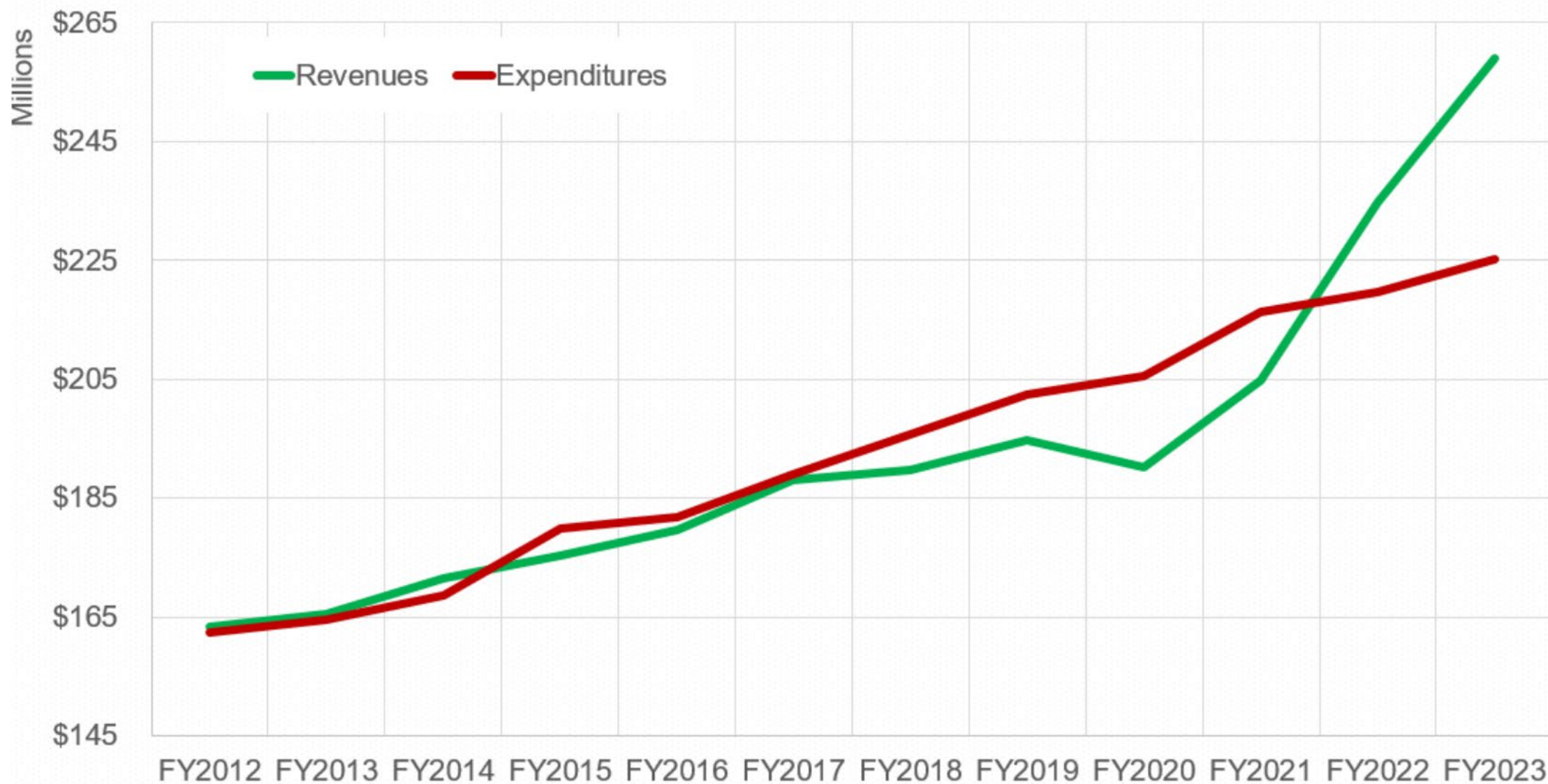


A composite image featuring a calculator, a spiral notebook with 'MONEY MANAGEMENT' written on its cover, and a hand holding a pen.

MONEY MANAGEMENT

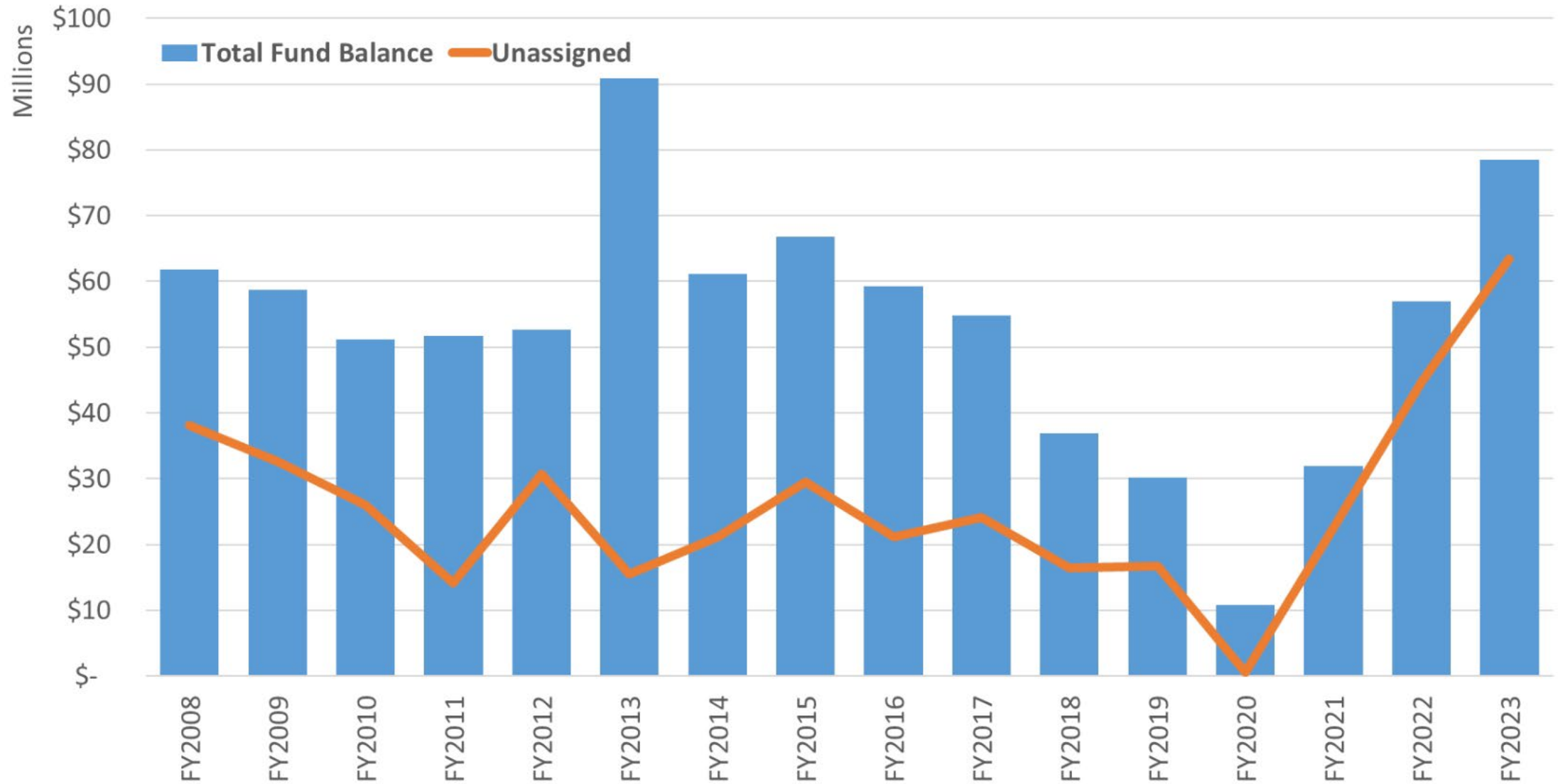
Historical Financial

General Fund Revenues and Expenditures



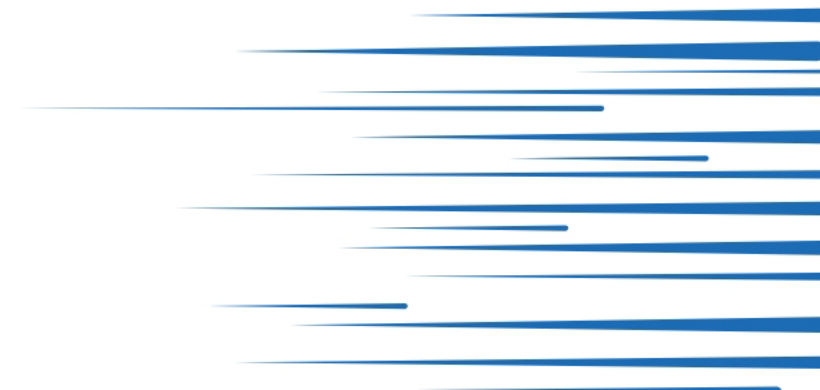
Historical Fund Balances

General Fund



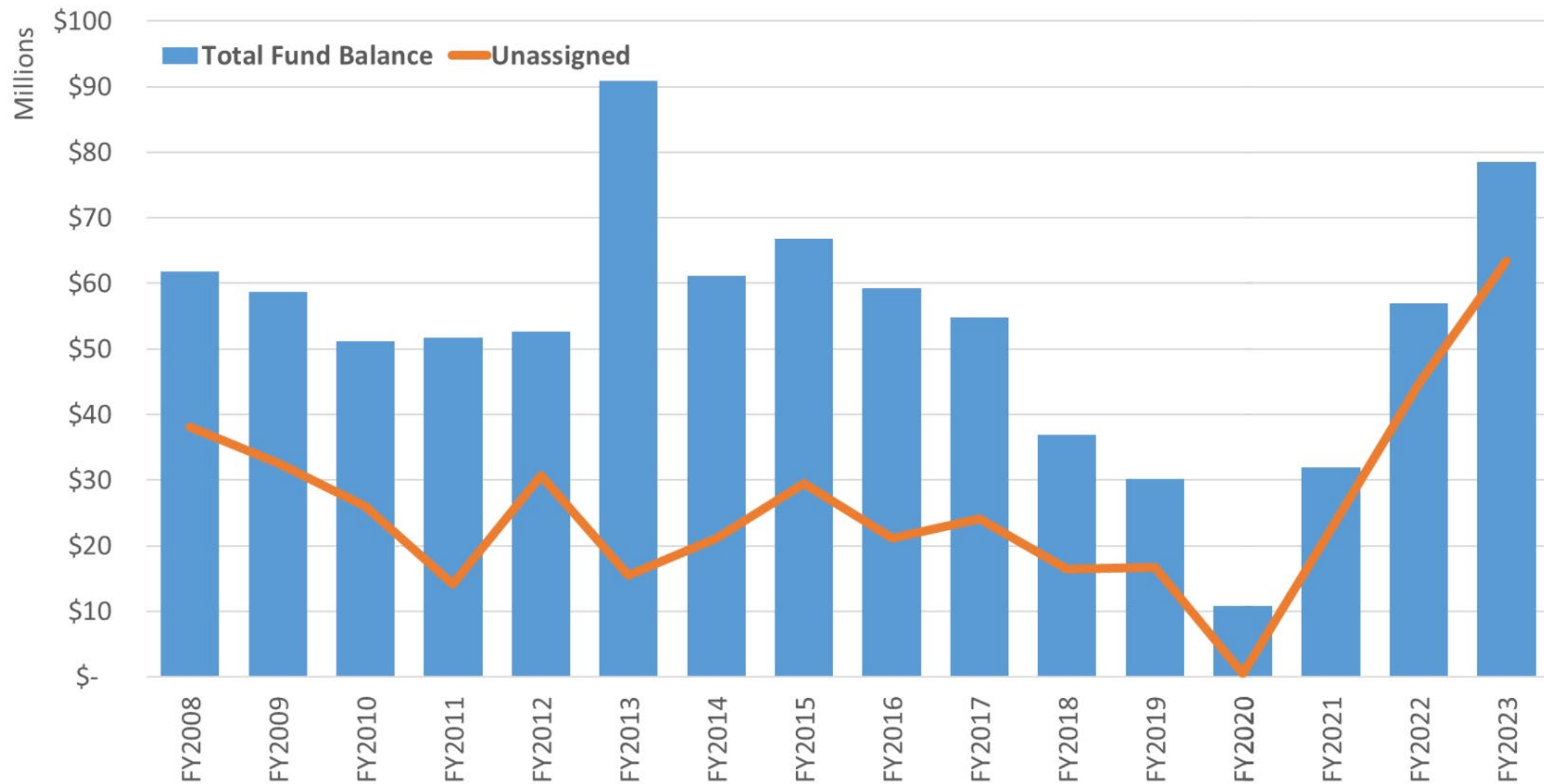


\$581,449



Historical Fund Balances

General Fund





Looking Forward

- **Stabilized Financial Position**
- **Significant Deferred Capital Project List**
- **Develop Financing Plan**
 - **Pay-As-You-Go**
 - **Bond Financing**
 - **Voter-Approved Bond Measures**



Future Capital Needs

Priority Capital Projects

- **Torrance Airport**
 - Renovate hangar and site facilities
 - Renovate roadways, taxiway lighting and wiring
 - Estimated cost: **\$30,873,000**
- **Civic Center/Police Station Complex**
 - Renovation of site facilities and public safety dispatch center
 - Estimated cost: **\$17,194,000**
- **City Corporation Yard**
 - Renovate site facilities, roof replacement
 - Replace heavy duty vehicle lifts & fueling infrastructure
 - Estimated cost: **\$17,816,000**

Recurring Capital Projects

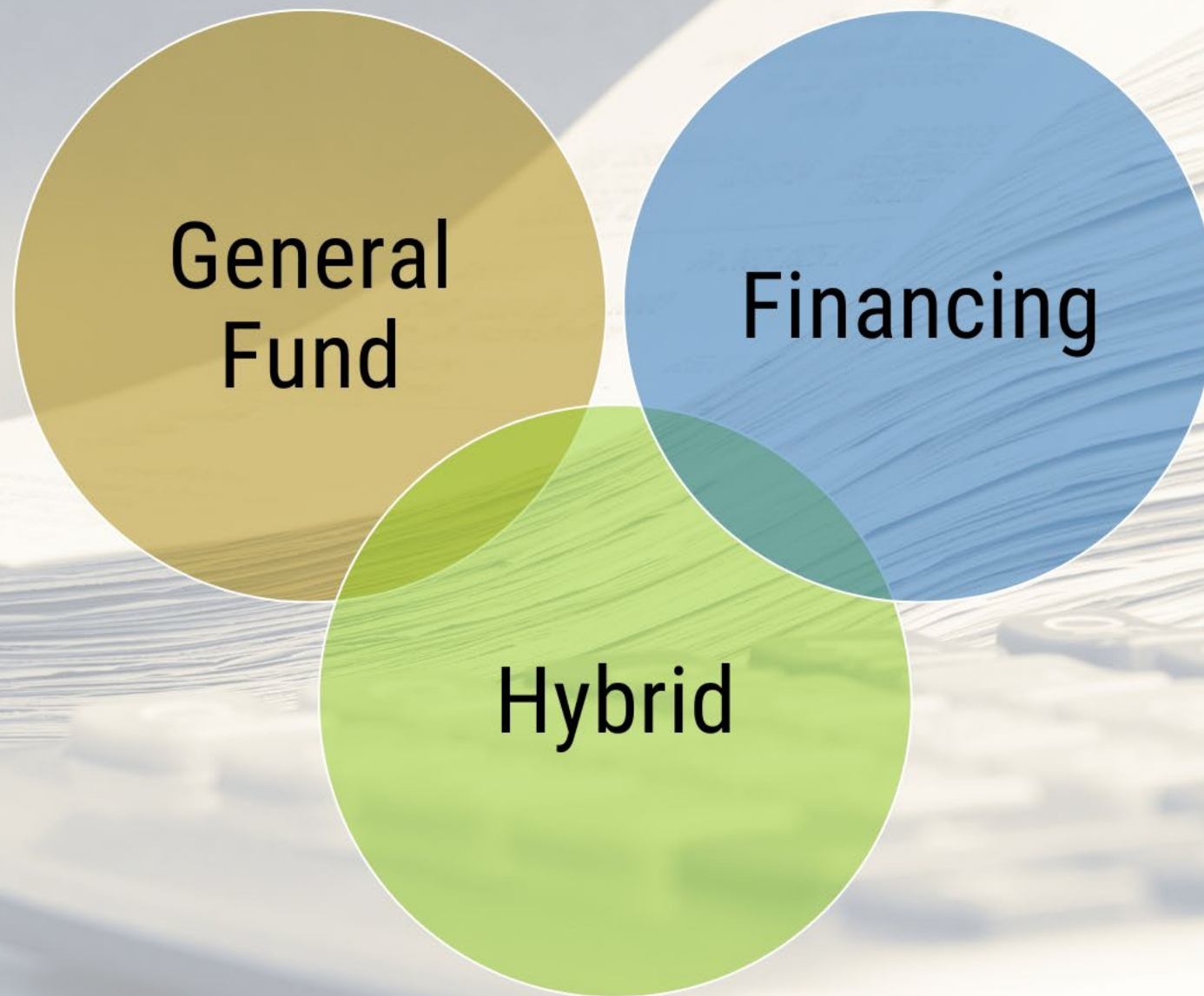
Capital Project Type	FY24-25 Adopted Budget	FY25-26 Projected Budget	FY26-27 Projected Budget	FY27-28 Projected Budget
Parks	12,764,164	5,744,423	3,796,980	1,825,565
Facilities	9,541,060	5,083,308	12,890,316	10,623,093
IT Infrastructure	170,000	-	-	-
Public Right of Way	32,512,454	14,058,833	13,395,833	13,370,833
Sewer/Water Utilities	3,400,000	4,700,000	4,600,000	6,200,000
Storm Drain/Basins	2,250,000	4,250,000	2,250,000	2,250,000
Other	4,859,455	3,492,000	2,737,000	955,000
Contingency	1,298,457	501,933	1,425,308	1,113,345
Total Expenditures	\$ 66,795,590	\$ 37,830,497	\$ 41,095,437	\$36,337,836

How to Pay for Projects



- Do we budget and set-aside funds until we have enough?
- Do we develop a financing plan and budget for future debt service payments?

Funding Plan



Budgeting the Capital Improvement Plan

- **FY 2024-25 Budget process overview:**
 - Conducted Facility Index Study to assess City buildings and park assets
 - Evaluated deficiencies, recommended corrective actions, estimated budgets, and suggested maintenance strategies
 - Consolidated funding into the General Services Department for ongoing maintenance, previously spread across multiple projects

Project Cost Estimates

- 2023/24 through 2027/28 need is \$62.5M
- FY28-39 \$144M projects need to be identified

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-39	Grand Total
Investment Site	\$6,720,152	\$15,435,072	\$10,827,731	\$16,687,296	\$12,448,658	\$144,052,298	\$206,171,207
Building Construction		\$6,537,000	\$1,000,000	\$6,599,963	\$5,000,000		\$19,136,963
Building Improvement	\$3,628,386	\$6,739,632	\$5,742,571	\$9,007,853	\$7,317,968	\$132,825,328	\$165,261,738
Equipment	\$2,714,076	\$1,490,000	\$174,800	\$450,000		\$3,250,000	\$8,078,876
Land Improvement	\$377,690	\$668,440	\$3,910,360	\$629,480	\$130,690	\$7,976,970	\$13,693,630
Grand Total	\$6,720,152	\$15,435,072	\$10,827,731	\$16,687,296	\$12,448,658	\$144,052,298	\$206,171,207

The Big Kahuna The Civic Center Project



Project: Cultural Arts, Recreation, Swim Center, City Hall, Permit Center, Police Station and Fire Administration

The Big Kahuna

The Civic Center Project

- **Focus:** Maintenance & potential new center development
- **Goal:** Modern space for community activities, enhancing City pride
- **July 2023:** City Council hires Gruen Associates for Master Plan support
- **Current Progress:** Gathering stakeholder feedback



Funding Options

The Civic Center Project

- **Initial Project Cost Estimates - \$300M+**
- **Capital Asset Strategy:**
Use existing City property,
potential sale of excess
public property (create cash
to fund project)
- **Financing Options:**
 - **General Fund – Develop Budget that will include annual debt service (up to \$20M-\$30M/year)**
 - **Community Supported (GO Bond or Parcel Tax) – property tax will pick up annual debt service (not general fund)**





Cashflow Fund or Issue Debt?

\$300 Million Project Assumptions

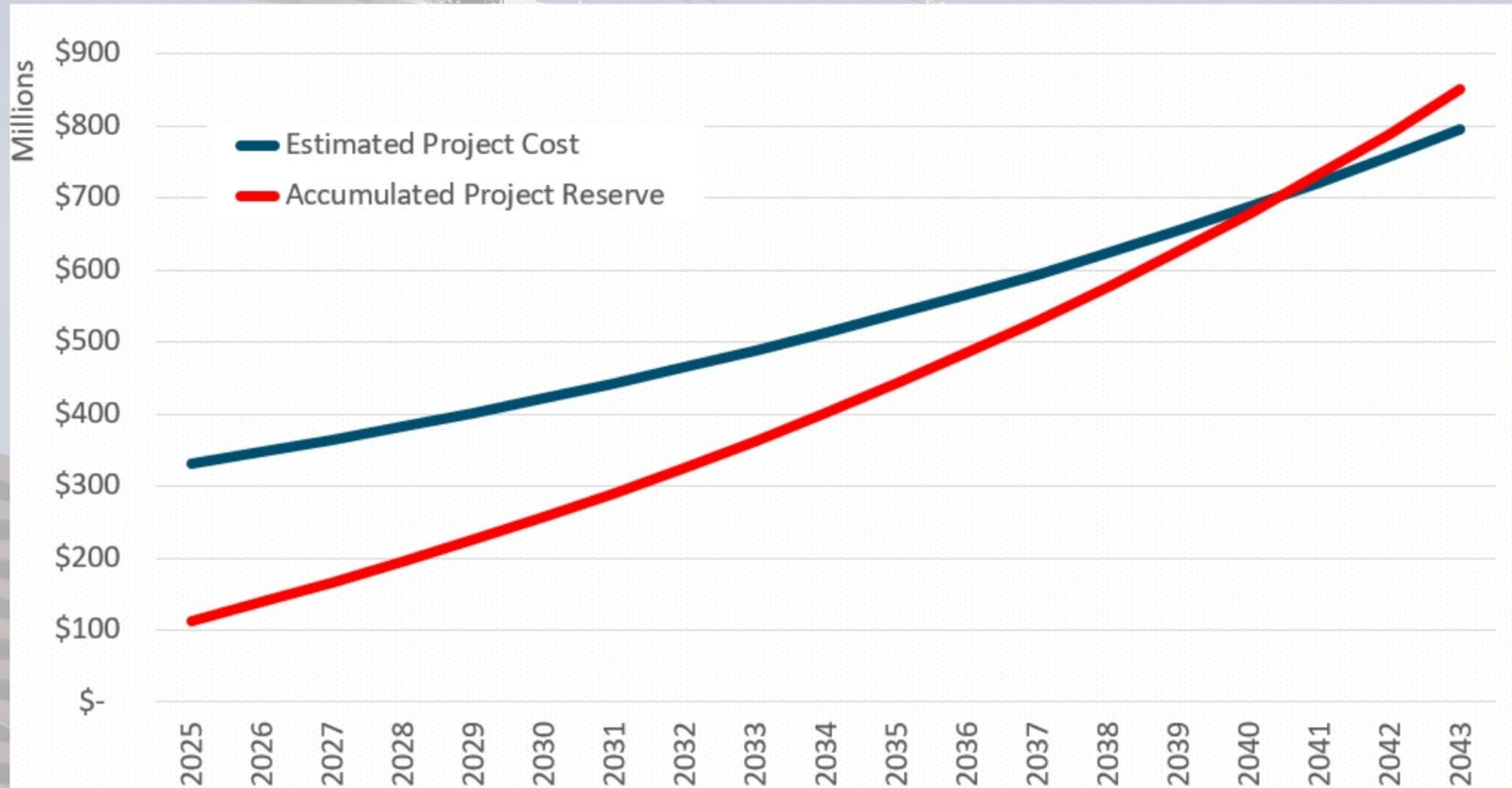
Pay-Go Assumptions

- ~\$20 million yearly contributions to Project Reserve
- 5% earnings on Project Reserve
- 5% cost inflation
- Project Reserve is not drawn down

Bond Financing Assumptions

- ~\$20 million debt service payments
- 5% interest rate
- 30-year term

Saving for a \$300 Million Project



Saving for a \$300 Million Project

2025-2026

Design



2025-2041

Save



2041-2044

Build



Financing a \$300 Million Project

2025-2026

Design



2026

Finance



2026-2029

Build

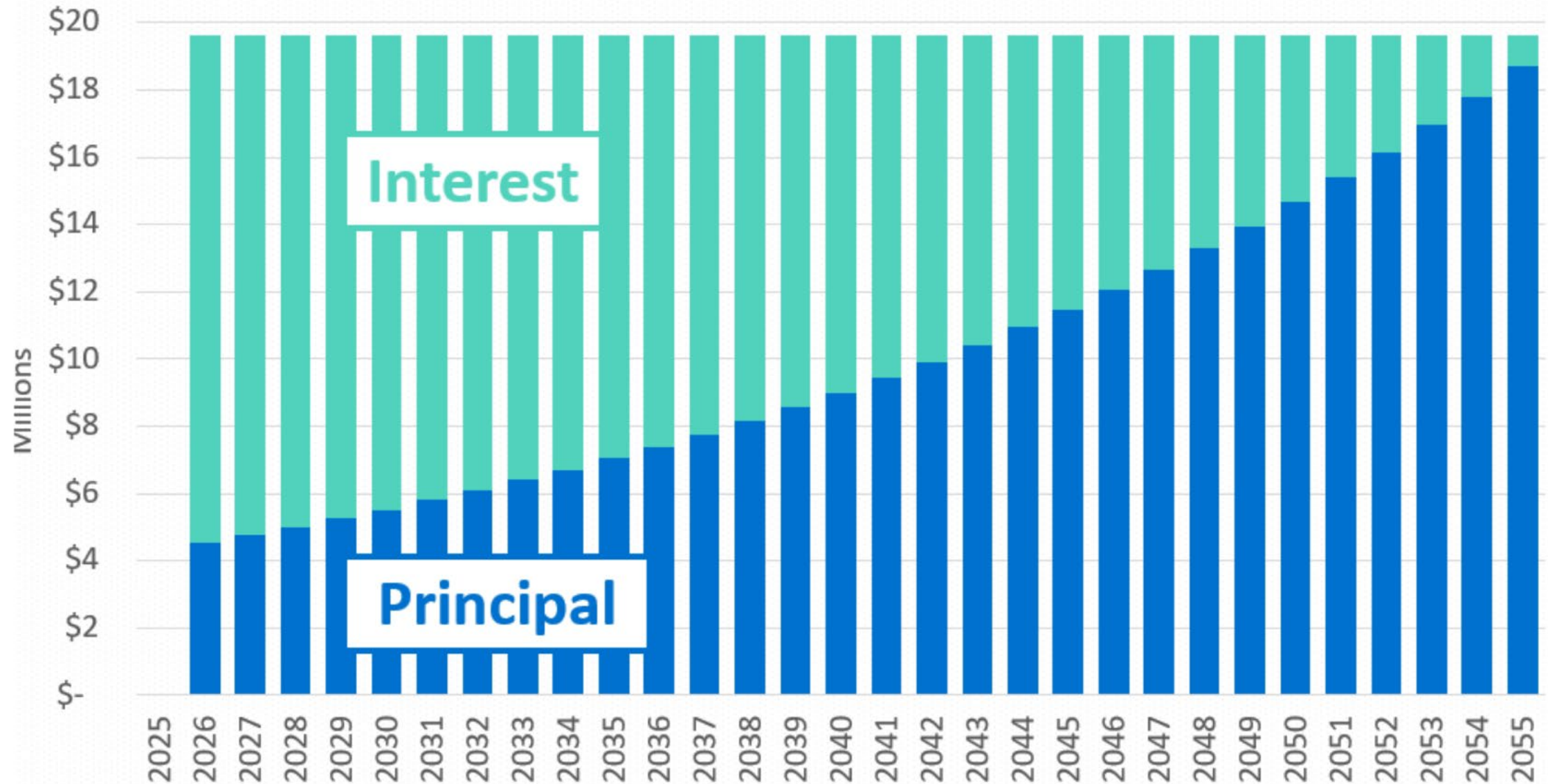


2026-2055

Payments



\$300 Million Project Debt Service



Key Considerations for Debt Financing

- **Identify Capital Costs, Construction Duration and Timing**
- **Analyze Financial Position (General Fund, Utility Fund)**
- **Calculate Bond Capacity (annual maximum debt service)**
 - **Present Value of Debt Service = Bond Amount Available**
- **Identify Feasible Bond Structures (Internal vs. External)**
 - **Internal – General Fund (COP, Lease Revenue Bonds)**
 - **External – Voter-Supported (GO Bonds, Special Tax Bonds)**

QUESTIONS?



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