



City of Del Mar Staff Report



TO: Honorable City Council Members

FROM: Mark Delin, Assistant City Manager
Via Scott W. Huth, City Manager

DATE: April 21, 2014

SUBJECT: Finance Committee Recommendation on Del Mar's Financing Capacity

REQUESTED ACTION/RECOMMENDATION:

Receive report and give direction to staff regarding the Finance Committee's Bond Capacity Analysis.

DISCUSSION/ANALYSIS:

In its meeting of April 16, 2014, the City's Finance Committee received a presentation by the Long-Term Affordability Subcommittee on the maximum debt financing capacity of the City.

Staff worked with the Finance Committee to prepare a 30-year Cash Flow Forecast as a basis for the analysis. The Finance Committee identified a General Fund cash flow of \$1.2 million/year over the ten year period from 2013 to 2023. The Finance Committee is recommending a methodology, which allows up to 50% of free cash flow to be used for Debt Service. This leaves 50% of cash flow to serve as a hedge against unexpected costs and economic downturns, and has resulted in the following borrowing capacity. Debt Service of \$600,000 under a 30 year bond would allow the City to borrow \$8.3 million at 4% interest or \$10.4 million at 6% interest.

City staff has reviewed the analysis and concurs that it is reasonable. Council is requested to consider the Finance Committee's report and to give staff appropriate direction as to how to move forward.

FISCAL IMPACT:

There is no fiscal impact from considering this report.

City Council Action:

ENVIRONMENTAL IMPACT:

This action does not constitute a "project" within the meaning of CEQA in that it has no potential to cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, and therefore does not require environmental review.