

DEBT SERVICES & CONTINGENCIES INDEX

Appropriations for Contingencies & Reserves (BU 9991)	475
Debt Services – Pension Obligation Bonds (BU 8011)	471
General Debt Services (BU 8010)	467

PAGE INTENTIONALLY LEFT BLANK

8010 – GENERAL DEBT SERVICES ~ COPS
Dennis Huey, Auditor - Controller

MISSION STATEMENT & DEPARTMENTAL FUNCTIONS:

This budget unit accounts for the payment of principal and interest as well as the related annual costs of the County's general long-term obligation bonds and certificates of participation (COPS).

The budget for Fiscal Year 2004-05 takes into consideration the required funding for the construction of the County Administrative Center, Social Services Department addition, Animal Control Facility, Willits Integrated Services Facility and other related financed capital projects.

Specifically, this budget unit accounts for the following debt issues:

\$1,260,000 REFUNDING CERTIFICATES OF PARTICIPATION

Issued on or about June 1, 1993, replaces 1983 Series A Bonds whose original proceeds were used in the acquisition of the present Social Services administration facility. Due August 15 in estimated annual installments of \$85,000, increasing to \$155,000 in the year 2003. Fixed interest rate with average estimated coupon rate of 5.3% and maturity date is August 15, 2003. This issue was recently deceased through an advanced refunding that occurred in November 2001. Please refer to comments on **2001 Refunding Certificates of Participation** below.

\$8,600,000 1998 REFUNDING CERTIFICATES OF PARTICIPATION

Issued on May 15, 1998, replaces 1989 Certificates of Participation in the original amount of \$11,905,000. Funds provided for the acquisition, construction, remodeling and improvement of certain equipment and permanent facilities for the County. Specifically, the construction projects include the justice centers in Willits and Fort Bragg, Willits library facility, adult detention center (jail) in Ukiah and microwave communications system for the Sheriff's Office. Due August 15 in annual installments of \$775,000 increasing to \$1,120,000 in year 2006. Variable interest rates with interest payable semiannually on February 15 and August 15 at rates ranging from 3.55% to 4.30%. Final maturity is August 15, 2006.

In July 2000, the County made an offer to the holders of these 1998 Certificates, at their option, to tender their certificates for purchase or to exchange them for new certificates issued as part of the 2000 Certificates of Participation issue (see below). The purpose of this "Tender/Exchange Program" for the 1998 Certificate issue was to restructure the overall debt service obligation of the County so as to provide for a level annual debt service over the next thirty years.

As a result of this tender/exchange, approximately \$4,350,000 of the outstanding \$6,090,000 Certificates were turned in for redemption during the months of July and August of 2000, thereby reducing the annual debt service on this issue over its remaining term.

\$8,595,000 1993 CERTIFICATES OF PARTICIPATION

Issued on June 1, 1993 to provide for the construction of a new County Administration facility, purchase of additional space for the Department of Social Services as well as renovations to other capital facilities. Due August 15 in annual installments of \$90,000, increasing to \$600,000 in year 2023. Interest payable semiannually on February 15 and August 15; final maturity is August 15, 2023. This issue was recently deceased through an advanced refunding that occurred in November 2001. Please refer to comments on **2001 Refunding Certificates of Participation** below.

8010 – GENERAL DEBT SERVICES ~ COPS
Dennis Huey, Auditor - Controller

\$7,965,000 SERIES 2001 REFUNDING CERTIFICATES OF PARTICIPATION

Issued on November 20, 2001, to advance refund the 1993 Certificates of Participation notes originally issued in the aggregate principal amount of \$9,855,000 on May 1, 1993. Funds were originally provided for in the construction of various capital projects including the County Administration Center facility and Social Services Center in Ukiah. Due June 1st in annual installments ranging from \$240,000 to \$460,000 in the year 2021. Variable interest rates ranging from 3.50% to 5.00%. Final maturity is June 1, 2024.

\$22,480,000 SERIES 2000 CERTIFICATES OF PARTICIPATION

Issued on September 7, 2000, to provide for the purchase of additional space for the Department of Social Services, the Health and Human Services facilities for the Department of Public Health and the County Museum and the acquisition and construction of a new Animal Control Shelter and Consolidated Health Services Center. In addition, a portion (\$4,350,000) of proceeds from this issue was utilized to decrease approximately 70% of the outstanding balance of the 1998 Refunding Certificates of Participation referenced above. This was done in a manner designed to provide the County of Mendocino with a level annual debt service over the next thirty years, which met the target range approved by the Board of Supervisors in a threshold amount not to exceed \$2.5M annually. Due June 1st in annual installments ranging from \$125,000 and increasing to \$1,905,000 in year 2030. Interest payable semiannually on June 1st and December 1st. Final maturity is June 1, 2030.

COUNTY ADMINISTRATIVE OFFICE COMMENTS:

The budget unit details the funding required to service the County's Fiscal Year 2004-05 debt service. Principal and interest on the pension obligation bonds are not recorded in this budget unit (see Budget Unit 8011).

FINAL BUDGET ACTION:

During Final Budget Deliberations, the Board of Supervisors approved the Recommended Budget from the County Administrative Officer for General Debt Services - COPS.

COUNTY ADMINISTRATIVE OFFICE NOTES:

SERVICES & SUPPLIES

Acct. 2239 Provides for Trustee fees and fees paid to Muni Financial for arbitrage rebate calculation services.

OTHER CHARGES

Acct. 3310, 3311 Provides for interests and principal payments on the Certificate of Participation issues.

REVENUES

Acct. 4200 Provides for annual rental payment from City of Willits for space in Criminal Justice building.

Acct. 7802 Provides for transfer from Social Services, Non-departmental Revenue and Mental Health for their portion of 1993 and 2000 COP issues.

8010 – GENERAL DEBT SERVICES ~ COPS
Dennis Huey, Auditor - Controller

STATE CONTROLLER
COUNTY BUDGET ACT
(1985)

COUNTY OF MENDOCINO
STATE OF CALIFORNIA
BUDGET UNIT FINANCING USES DETAIL
FINAL BUDGET FOR FISCAL YEAR 2004-05

COUNTY BUDGET FORM
SCHEDULE 9

CLASSIFICATION:

FUNCTION: 8 DEBT SERVICE

BUDGET UNIT: 8010 DEBT SERVICE

ACTIVITY: 801 DEBT SERVICE - RETIREMENT OF L

FUND: 1400 DEBT SERVICE

FINANCING USES CLASSIFICATION (1)	2002-03 BUDGET (2)	2002-03 ACTUALS (3)	2003-04 BUDGET (4)	2003-04 ACTUALS (5) 06/30/04	2004-05 REQUEST (6)	2004-05 RECOMMEND (7)	2004-05 ADOPTED (8)
SERVICES & SUPPLIES							
862189 PROF & SPEC SVCS-OTHR	0	18,750	4,000	0	4,000	4,000	4,000
862239 SPEC DEPT EXP	13,185	14,614	7,650	9,383	7,650	7,650	7,650
TOTAL SERVICES & SUPPLIES	13,185	33,364	11,650	9,383	11,650	11,650	11,650
OTHER CHARGES							
863310 INTEREST	1,512,771	1,984,422	1,949,208	1,866,520	1,465,082	1,465,082	1,465,082
863311 PRINCIPAL	525,000	868,281	8,420,576	8,420,576	586,052	586,052	586,052
TOTAL OTHER CHARGES	2,037,771	2,852,703	10,369,784	10,287,096	2,051,134	2,051,134	2,051,134
TOTAL NET APPROPRIATIONS	2,050,956	2,886,067	10,381,434	10,296,479	2,062,784	2,062,784	2,062,784
LESS: REVENUES							
824100 INTEREST	32,000	65,995	32,000	389,098	2,600	2,600	2,600
824200 RENTS & CONCESSIONS	30,000	30,000	30,000	30,000	30,000	30,000	30,000
827700 OTHER	0	0	0	5,776	0	0	0
827802 OPERATING TRANSFER IN	1,221,469	1,137,146	1,789,459	1,750,783	2,020,854	2,020,854	2,020,854
827803 LOAN/BOND PROCEEDS	0	706,566	0	0	0	0	0
TOTAL REVENUES	1,283,469	1,939,707	1,851,459	2,175,657	2,053,454	2,053,454	2,053,454
TOTAL FUND BALANCE CONTRIBUTION	767,487	946,360	8,529,975	8,120,822	9,330	9,330	9,330

PAGE INTENTIONALLY LEFT BLANK

8011 – DEBT SERVICES ~ PENSION OBLIGATION BONDS

Dennis Huey, Auditor ~ Controller

MISSION STATEMENT & DEPARTMENTAL FUNCTIONS:

This budget unit accounts for the payment of principal and interest as well as the related annual costs of the County's taxable pension obligation bonds issued in December 1996 in the amount of \$30,720,000 and December 2002 in the amount of \$91,475,000. Included in the December 2002 issue is a partial (50%) defeasance of the December 1996 issue.

This budget, for Fiscal Year 2004-05, takes into consideration funding to allow the County to pay the entire portion of its current unfunded accrued actuarial liability ("UAAL") for retirement benefits for its County employees. As of July 1, 2002, the most recent actuarial valuation date, the UAAL was \$68,768,000. The County is currently amortizing this UAAL balance through bi-weekly payroll contributions through the period ending July 1, 2026.

Specifically, this budget unit accounts for the following debt issue:

\$30,720,000 TAXABLE PENSION OBLIGATION BOND

Issued on December 19, 1996 to allow the County to fund a portion of its current unfunded accrued actuarial liability for retirement benefits of County employees. Due July 1st in estimated annual principal installment of \$1,655,000, increasing to \$4,770,000 in the year 2009. Variable interest rates with interest payable semiannually on July 1st and January 1st at rates ranging from 5.54% to 6.97%. Final maturity is July 1, 2009. As indicated above, this issue was partially (50%) refunded and defeased on December 12, 2002. For additional comments, please refer to **\$91,945,000 Taxable Pension Obligation Bonds Refunding Series 2002**.

\$91,945,000 TAXABLE PENSION OBLIGATION BONDS REFUNDING SERIES 2002

Issued on December 12, 2002 to allow the County to fund the residual portion in respect of its unfunded actuarial accrued liability (UAAL) with respect to retirement benefits for County employees. The amount being funded with proceeds of the 2002 Bonds equal the present value of the payments the County would otherwise be required to make to amortize the current UAAL, discounted at the Retirement Association's actuarially assumed earnings rate of 8%. Due July 1st in estimated annual principal installments of \$885,000, increasing to \$7,560,000 in the year 2026. Variable interest rates with interest payable semiannually on July 1st and January 1st at rates ranging from 2.07% to 5.00%. Final maturity is July 1, 2026. This bond issue includes proceeds sufficient to decrease approximately fifty percent (50%) of each maturity of the \$23,795,000 outstanding principal amount of the original 1996 taxable pension obligation bonds. By refunding and decreasing the 1996 bonds, the County will restructure the amortization schedule of its outstanding debt so as to achieve a more level annual debt service pattern.

COUNTY ADMINISTRATIVE OFFICE COMMENTS:

This budget unit represents the repayment of the issuance of the pension obligation bonds. Charges to the individual departments for their pro rata share, as estimated by the County Treasurer, is based on a percentage of annual contribution related to covering the unfunded liability portion of this bond issue.

FINAL BUDGET ACTION:

During Final Budget Deliberations, the Board of Supervisors approved the Recommended Budget from the County Administrative Officer for Debt Services - Pension Obligation Bonds.

8011 – DEBT SERVICES ~ PENSION OBLIGATION BONDS
Dennis Huey, Auditor ~ Controller

COUNTY ADMINISTRATIVE OFFICE NOTES:

SERVICES & SUPPLIES

Acct. 2239 Provides for letter of Credit fees, Trustee fees and other miscellaneous corporation debt service maintenance costs related to the issue.

OTHER CHARGES

Acct. 3310, Provides for interest and principal payments on the taxable Pension Obligation
3311 Bond issue.

REVENUES

Acct. 6400 Provides for estimated portion of County retirement contribution related to Pension Obligation Bond issue. Funding originates from charges to departments on bi-weekly basis.

8011 – DEBT SERVICES ~ PENSION OBLIGATION BONDS
Dennis Huey, Auditor ~ Controller

STATE CONTROLLER
COUNTY BUDGET ACT
(1985)

COUNTY OF MENDOCINO
STATE OF CALIFORNIA
BUDGET UNIT FINANCING USES DETAIL
FINAL BUDGET FOR FISCAL YEAR 2004-05

COUNTY BUDGET FORM
SCHEDULE 9

CLASSIFICATION:

FUNCTION: 8 DEBT SERVICE

BUDGET UNIT: 8011 PENSION OBLIG BONDS

ACTIVITY: 801 DEBT SERVICE - RETIREMENT OF L

FUND: 1410 PENSION OBLIGATION BONDS

FINANCING USES CLASSIFICATION (1)	2002-03 BUDGET (2)	2002-03 ACTUALS (3)	2003-04 BUDGET (4)	2003-04 ACTUALS (5)	2004-05 REQUEST (6)	2004-05 RECOMMEND (7)	2004-05 ADOPTED (8)
				06/30/04			
SERVICES & SUPPLIES							
862189 PROF & SPEC SVCS-OTHR	0	1,121,067	0	0	0	0	0
862239 SPEC DEPT EXP	7,500	4,170	2,600	5,965	4,815	4,815	4,815
TOTAL SERVICES & SUPPLIES	7,500	1,125,237	2,600	5,965	4,815	4,815	4,815
OTHER CHARGES							
863310 INTEREST	1,773,192	1,732,122	5,895,357	6,744,362	5,673,896	5,673,896	5,673,896
863311 PRINCIPAL	1,925,000	1,925,000	2,225,000	2,225,000	2,340,000	2,340,000	2,340,000
TOTAL OTHER CHARGES	3,698,192	3,657,122	8,120,357	8,969,362	8,013,896	8,013,896	8,013,896
TOTAL NET APPROPRIATIONS	3,705,692	4,782,359	8,122,957	8,975,327	8,018,711	8,018,711	8,018,711
LESS: REVENUES							
826400 CO SHARE RETIREMENT	4,650,000	4,536,970	9,787,000	6,805,042	10,825,000	10,825,000	10,825,000
827803 LOAN/BOND PROCEEDS	0	14,341,892	0	0	0	0	0
TOTAL REVENUES	4,650,000	18,878,862	9,787,000	6,805,042	10,825,000	10,825,000	10,825,000
TOTAL FUND BALANCE CONTRIBUTION	-944,308	-14,096,503	-1,664,043	2,170,285	-2,806,289	-2,806,289	-2,806,289

PAGE INTENTIONALLY LEFT BLANK

9991 – APPROPRIATIONS FOR CONTINGENCIES & RESERVES

Dennis Huey, Auditor - Controller

MISSION STATEMENT & DEPARTMENTAL FUNCTIONS:

General Fund contingencies include funding necessary to provide continued County operations despite economic uncertainties.

As a general rule, a contingency fund should be maintained at 3% of the budget, and should constitute sufficient financing for all issues/items which occur during the fiscal year but which were unforeseen during the budget process. For Mendocino County, this would equate to an appropriation of well over four million dollars. Failure to appropriate a reasonable level of funding for contingencies would not be prudent and could likely result in the continuing phenomena of the “midyear budget crisis”.

For Fiscal Year 2004-05 the funding provided for in this budget is \$200,000.

FINAL BUDGET ACTION:

During Final Budget Deliberations, the Board of Supervisors approved the Recommended Budget from the County Administrative Officer for Appropriations for Contingencies with the following adjustment:

- | | |
|--|-----------|
| a) Reduced contingency to balance final budget | \$187,807 |
|--|-----------|

The Board further agreed that, should unanticipated revenues be recognized from Animal Care and Control due to the passage of a Senate Bill which would enable the county to be reimbursed for additional costs related to the Hayden mandate, and additional Indian Gaming funding for a bond to assist in transportation funding needs (AB 687) be realized, an amount equivalent to \$187,807 be replenished into the Contingency Fund.

9991 – APPROPRIATIONS FOR CONTINGENCIES & RESERVES
Dennis Huey, Auditor - Controller

STATE CONTROLLER
 COUNTY BUDGET ACT
 (1985)

COUNTY OF MENDOCINO
 STATE OF CALIFORNIA
 BUDGET UNIT FINANCING USES DETAIL
 FINAL BUDGET FOR FISCAL YEAR 2004-05

COUNTY BUDGET FORM
 SCHEDULE 9

CLASSIFICATION:

FUNCTION: 9 CONTINGENCIES
 ACTIVITY: 999 MISC

BUDGET UNIT: 9991 PROVISIONS FOR CONTIN
 FUND: 1100 COUNTY GENERAL

FINANCING USES CLASSIFICATION (1)	2002-03 BUDGET (2)	2002-03 ACTUALS (3)	2003-04 BUDGET (4)	2003-04 ACTUALS (5)	2004-05 REQUEST (6)	2004-05 RECOMMEND (7)	2004-05 ADOPTED (8)
869991 APPROP FOR CONTINGENCY	162,917	0	200,000	0 06/30/04	200,000	200,000	12,193
TOTAL	162,917	0	200,000	0	200,000	200,000	12,193
TOTAL NET APPROPRIATIONS	162,917	0	200,000	0	200,000	200,000	12,193
TOTAL NET COUNTY COST	162,917	0	200,000	0	200,000	200,000	12,193