

Debt Service Payments Service Expense Group Summary

The Debt Service Expense Group includes costs associated with payment of long-term balances as summarized below.

Note payable - Department of Water Resources (DWR)

The Agency entered into a promissory note on June 15, 2005 with the DWR in the amount of \$3,511,446. The loan proceeds were used for the construction of components of the Revised BMP (2002). Principal and interest in the amount of \$251,415, with interest at 2.4% and, final payment on September 30, 2027.

Bond Payable - 2015 Water Revenue Refunding Bonds

Water Revenue Refunding Bonds were issued in the amount of \$19,970,000 in 2015 primarily to refinance 1999 Certificate of Participation and two State Water Resources Control Board Loans that were used to construct facilities on Harkins Slough, the Coastal Distribution System, and Blend Wells. Principal and interest payments are due in fourteen semi-annual installments through March 1, 2029, at interest rates ranging from 3% to 5%. Total annual payment due is \$2.3 million.

Bond Payable - 2016 Water Revenue Refunding Bonds

Water Revenue Refunding Bonds were issued in the amount of \$11,435,000 in 2016 to refinance the City of Watsonville's 2007 Water Revenue Bonds for costs associated with the design and construction of the Recycled Water Facility. Principal and interest payments are due in fourteen semi-annual installments through March 1, 2036, at interest rates ranging from 2% to 5%. Total annual payment due is \$801,963. By refinancing these bonds in 2016, the Agency is saving \$900 thousand dollars in interest and City of Watsonville contract fees this fiscal year.

Debt Service	
July 1, 2019 to June 30, 2020	
Expenditures	
DWR Note Payable	251,416
2015 Bond Payment Principal	1,685,000
2015 Bond Payment Interest	620,100
2016 Bond Payment Principal	425,000
2016 Bond Payment Interest	376,963
Total Expenditures	\$3,358,479

BOND COVENANT TEST	
Bond Principal	2,110,000
Bond Interest	997,063
Annual Payment	3,107,063
@ 110%	3,417,769
Water Service Revenue	13,900,000
Water Service O&M	7,602,864
Net Revenue	6,297,136
Over Debt Covenant	2,879,366

The Bond Covenant Test shows this budget satisfies the requirements of the bond debt covenant agreements in excess of \$2.8 million.