

Debt Service Obligations

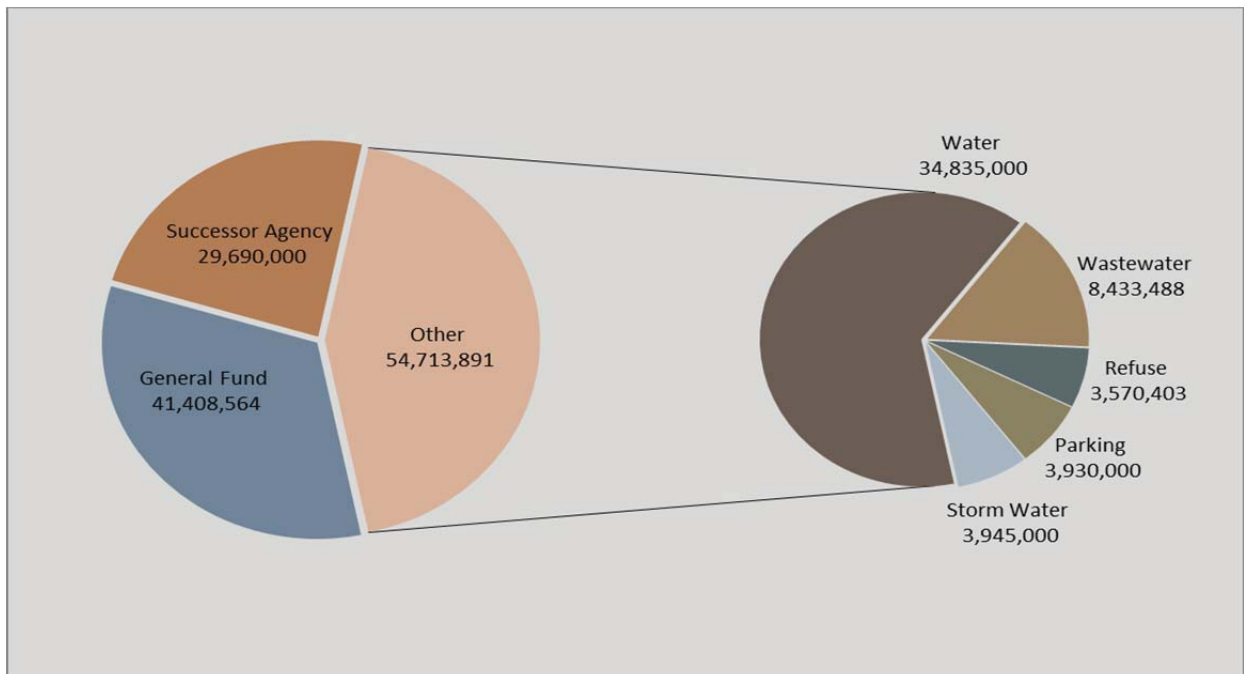
OVERVIEW

The City of Santa Cruz debt service obligations include revenue bonds, general obligation bonds, pension obligation bonds, loans, leases, and Santa Cruz Redevelopment Agency debt, transferred to the Successor Agency Trust (Resolution NS-28,450 dated January 24, 2012). Also included are the State of California Public Employees' Retirement System (PERS) and other post-employment benefits (OPEB) liabilities. All debt issuance is approved by the Santa Cruz City Council subject to the City's legal debt limit.

- *Revenue Bonds* – issued to purchase or construct assets owned by the City and the City pledges income resulting from the asset or enterprise to pay the debt service.
- *General Obligation Bonds* – issued to finance various public improvements in the City for which the main security for repayment is property taxes.
- *Pension Obligation Bonds* – issued by the City to pay its commitment to the pension fund in which its employees are members.
- *Santa Cruz Redevelopment Successor Agency Debt* – debt issued to finance redevelopment activities in accordance with California Community Redevelopment Law. With the dissolution of Redevelopment Agencies, the principal source of debt repayment is from property tax revenues of the Successor Agency to the Redevelopment Agency.

DEBT STATUS

The graph below estimates outstanding debt obligations, excluding pension, of \$29,690,000 in RDA Successor agency debt, \$41,408,564 in the General Fund, and \$54,713,891 in the City's Enterprise funds for a total outstanding debt obligation of \$125,812,455 at the end of the fiscal year.



Debt Service Obligations

FY 2017 DEBT ISSUES

The following debt issues have been completed in FY 2017:

- Water Infrastructure Loan – The City Water Department received a loan with the California Infrastructure & Economic Development Bank (I-Bank) in the amount of \$25 million with an interest rate of 3.24%. The Water Department will use the proceeds to fund capital expenditures for improvement and rehabilitation and replacement projects for surface water source diversions, groundwater facilities, transmission and distribution pipelines, the Graham Hill Water Treatment Plant, and distribution storage projects.
- 2017 Refunding Lease Revenue Bonds – The City of Santa Cruz refunded three debt issues totaling \$12.6 million in outstanding debt. The first, 2007 Lease Revenue Bonds, refunded \$5,735,000 in debt with a variable interest rate between 4% and 5%. The new issue provides \$542,248 of net present value savings. The second, 2010 Parking Refunding Lease Revenue Bonds, refunded \$3,930,000 in debt with a variable interest rate between 3% and 4.45%. The new issue provides \$250,551 of net present value savings. Lastly, 2010 Refunding Lease Revenue Bonds, Series B, refunded \$2,945,000 in debt with a variable interest rate between 2.8% and 4.2%. The new issue provides \$139,394 of net present value savings. The new issue, in the amount of \$11,035,000 brings the variable interest rate down to between 2% and 5% with a total net present value savings of \$932,193.

FY 2018 PLANNED DEBT ISSUES

The following are planned debt issues for the FY 2018:

- Library Bonds – On June 7, 2016, the voters of Santa Cruz approved Measure S, a parcel tax for the County Library System's \$67 million bond issue to improve the entire library system. New branches are planned to be built in Scotts Valley and in Downtown Santa Cruz. Also planned are complete renovations of the Capitola and Eastside branch locations.

FY 2017 PERS AND OPEB LIABILITIES

The City of Santa Cruz participates in PERS to provide pension benefits for past, current and future employees. In addition it provides modest, capped health retiree obligations as required by the CalPERS health program and as negotiated locally by City employees.

CITY OF SANTA CRUZ
FY 2018 ANNUAL BUDGET
Debt Service Obligations
(A) Summary of Changes in Long-Term Debt

Description	Maturity Date	Balance June 30, 2016	Additions to Debt	Principal Paydown and Maturities	Balance June 30, 2017	Balance	
						Due Within One Year	Due in More Than One Year
<u>GENERAL LONG TERM DEBT</u>							
2007 Lease Revenue Bonds	6/30/2037	5,735,000	-	5,735,000	-	-	-
2017 Refunding Lease Revenue Bonds	11/1/1937	-	5,735,000	-	5,735,000	145,000	5,590,000
2009 General Obligation Refunding Bonds	9/1/2037	5,730,000	-	255,000	5,475,000	270,000	5,205,000
2010 Pension Obligation Bonds	6/1/2022	15,310,000	-	2,015,000	13,295,000	2,195,000	11,100,000
2010 Refunding Lease Revenue Bonds B	4/1/2031	2,945,000	-	2,945,000	-	-	-
2017 Refunding Lease Revenue Bonds	11/1/1931	-	2,790,000	-	2,790,000	-	2,790,000
2012 Golf COP Refunding Loan	5/1/2029	2,434,038	-	150,771	2,283,267	156,093	2,127,174
PG&E Loan - LED Streetlights (Interest free)	11/1/2022	159,592	-	24,953	134,639	-	134,639
ZION Bank Loan - Homeless Shelter Project	1/1/2021	249,630	-	48,460	201,170	48,634	152,536
I-Bank Arterial Streets and Roads Loan	8/1/2024	12,823,545	-	1,329,057	11,494,488	1,352,050	10,142,438
Total General Long Term Debt		45,386,805	8,525,000	12,503,241	41,408,564	4,166,777	37,241,787
<u>ENTERPRISE DEBT</u>							
2014 Water Refunding Revenue Bonds	3/1/2036	10,235,000	-	400,000	9,835,000	410,000	9,425,000
I-Bank Water Infrastructure Loan	8/1/2046	-	25,000,000	-	25,000,000	505,367	24,494,633
Total Water Liabilities		10,235,000	25,000,000	400,000	34,835,000	915,367	33,919,633
2013 Wastewater Refunding Bonds	11/2/2022	11,925,014	-	3,491,526	8,433,488	3,544,544	4,888,944
Total Wastewater Liabilities		11,925,014	-	3,491,526	8,433,488	3,544,544	4,888,944
2009 Refuse Refunding Loan Agreement	10/1/2023	1,840,700	-	208,700	1,632,000	219,100	1,412,900
2010 Enterprise Revenue Bonds	10/1/2021	2,215,000	-	340,000	1,875,000	350,000	1,525,000
Refuse Lease 09-027		63,403	-	-	63,403	63,403	-
Total Refuse Liabilities		4,119,103	-	548,700	3,570,403	632,503	2,937,900
2010 Parking Lease Revenue Bonds	5/1/2028	3,930,000	-	3,930,000	-	-	-
2017 Parking Refunding LRB	11/1/2028	-	3,930,000	-	3,930,000	265,000	3,665,000
Total Parking Liabilities		3,930,000	3,930,000	3,930,000	3,930,000	265,000	3,665,000
2014 Storm Water Refunding Revenue Bonds	10/1/2028	4,245,000	-	300,000	3,945,000	305,000	3,640,000
Total Storm Water Liabilities		4,245,000	-	300,000	3,945,000	305,000	3,640,000
Total Enterprise Debt		34,454,117	28,930,000	8,670,226	54,713,891	5,662,414	49,051,477
<u>SUCCESSOR AGENCY TRUST</u>							
2004 RDA TAB Merged	10/1/2031	3,735,000	-	165,000	3,570,000	175,000	3,395,000
2011 Housing TABS Series A	10/1/2024	6,225,000	-	530,000	5,695,000	565,000	5,130,000
2011 Taxable TABS Series B	10/1/2026	16,145,000	-	1,040,000	15,105,000	1,110,000	13,995,000
2011 Tax-Exempt TABS Series C	10/1/2026	5,730,000	-	410,000	5,320,000	425,000	4,895,000
TOTAL Successor Agency Trust		31,835,000	-	2,145,000	29,690,000	2,275,000	27,415,000
SUBTOTAL DEBT BEFORE PENSION		111,675,922	37,455,000	23,318,467	125,812,455	12,104,191	113,708,264

CITY OF SANTA CRUZ
FY 2018 ANNUAL BUDGET
Pension Obligations
(B) Summary of Funding Progress

Description	Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Unfunded Percentage of Assets	Prior Valuation Unfunded Liability
<u>Public Employees' Retirement System (PERS)</u>						
Miscellaneous employees	6/30/2015	268,579,086	340,990,191	72,411,105	78.8%	64,566,582
Safety	6/30/2015	166,159,649	211,062,402	44,902,753	78.7%	38,137,949
Total PERS Obligations		434,738,735	552,052,593	117,313,858	78.7%	102,704,531
<u>Other Post Employment Benefits (OPEB)</u>						
All employees	6/30/2014	-	20,005,630	20,005,630	0.0%	16,420,991
Total OPEB Obligations		-	20,005,630	20,005,630	0.0%	16,420,991
SUBTOTAL PENSION		434,738,735	572,058,223	137,319,488	76.0%	119,125,522

CITY OF SANTA CRUZ
FY 2018 ANNUAL BUDGET
Pension Obligations
(C) Comparative Summary of Total Obligations

Description	FY2016 Budget Balance as of Reporting Date	Percentage of Total Debt	FY 2017 Budget Balance as of Reporting Date	Percentage of Total Debt
City-wide Debt before Pension	111,675,922		125,812,455	
Less: Pension Obligation Bonds	(15,310,000)		(13,295,000)	
Net City-wide Debt before all Pension costs	96,365,922	39.0%	112,517,455	40.2%
Pension Obligation Bonds	15,310,000		13,295,000	
City-wide Unfunded Pension Liability	119,125,522		137,319,488	
City-wide Pension Obligations	134,435,522	54.4%	150,614,488	53.9%
Other future obligations without annual debt service				
Compensated absences	1,404,442		1,487,704	
Claims and judgments	8,314,017		8,314,017	
Landfill closure	6,581,325		6,729,962	
Other future debt obligations	16,299,784	6.6%	16,531,683	5.9%
TOTAL OBLIGATIONS	247,101,228		279,663,626	

Debt Service Obligations

Legal Debt Margin

Under section 1418 (Bonded Debt Limit) of the City's Charter, the City shall not incur an indebtedness evidenced by general obligation bonds which shall in the aggregate exceed the sum of fifteen percent (15%) of the total assessed valuation for purposes of City taxation, of all the real and personal property within the City, exclusive of any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending or maintaining municipal utilities for which purpose a further indebtedness may be incurred by the issuance of bonds, subject only to the provisions of the State Constitution⁽¹⁾ and of this Charter.

Legal Debt Margin For Fiscal Year 2016:

Total assessed value	\$ 8,252,953,643 ⁽²⁾
Fifteen percent (15%) of total assessed value	1,237,943,046
Debt applicable to limit:	
General obligation bonds (reported at accreted value)	5,965,000
Less: Amount available in the debt service fund for repayment of bonds	<u>1,324,435</u>
Total net debt applicable to limit	<u>4,640,565</u>
Legal debt margin	<u><u>1,233,302,482</u></u>

Notes:

1. California Government Code, Section 43605 sets the debt limit at 15% of the total assessed valuation of all real personal property within the City.

2. Total Assessed Value from FY15

Sources:

County of Santa Cruz Auditor-Controller's Office

City of Santa Cruz, California FY 2015 Comprehensive Annual Financial Report (CAFR)

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