

Debt Service and Pension Obligations

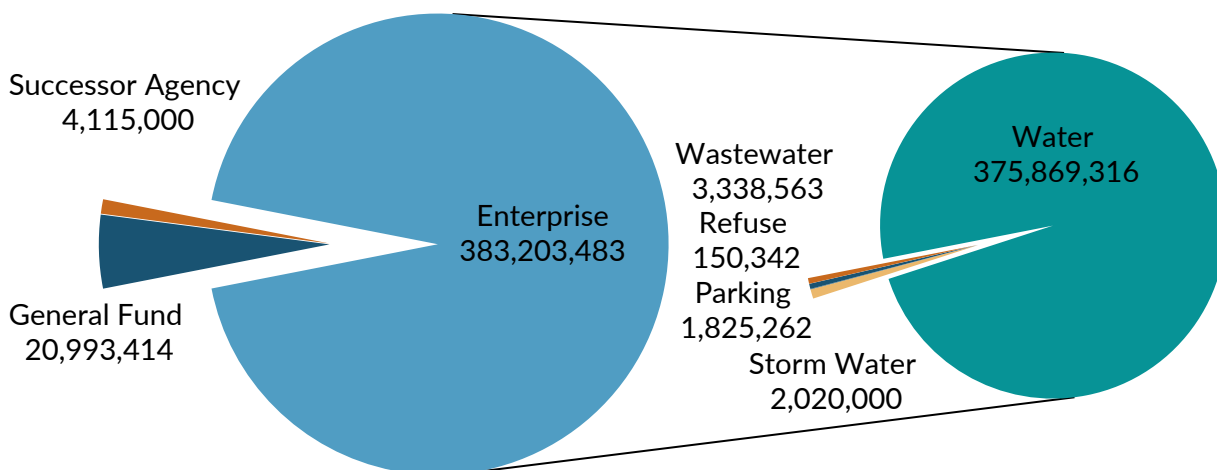
Overview

The City of Santa Cruz debt service obligations include revenue bonds, general obligation bonds, pension obligation bonds, loans, leases, and former 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 of 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 \$4,115,000 in RDA Successor agency debt, \$20,993,414 in the General Fund, and \$383,203,483 in the City's Enterprise funds for a total outstanding debt obligation of \$408,311,897 at the end of fiscal year 2023.



FY 2023 Debt Issues

Several energy efficient improvement projects were presented to Council on January 28, 2022, relating to the following three City sites: Civic Auditorium, Soquel/Front Parking Garage, and Harvey West Park. The Civic Auditorium project includes a new roof, solar array, and new boiler controls. The Soquel/Front Parking Garage project includes a solar array that will provide sunshade to vehicles parked on the top floor of the garage. The Harvey West Park project includes solar arrays that will provide sunshade over the ballfield bleacher seats, and LED lighting at all field locations. The total cost of these projects is \$6,115,440. The City entered into a 1% California Energy Commission Loan in the amount of \$2,424,224 to pay for a portion of these projects. The other portion will be paid for with proceeds from a tax-exempt municipal equipment lease with Banc of America Public Capital Corp in the amount of \$3,721,000 with a 3.71% interest rate. Both loans are 20-year terms.

The Water Department entered into a loan agreement with the United States Environmental Protection Agency for projects in the Council-approved capital investment plan (Graham Hill Water Treatment Plant (GHWTP) Facility Improvements Project, Newell Creek Pipeline Replacement (Felton to GHWTP) Project, University Tank 4 Project, and Aquifer Storage and Recovery (ASR) Project). The 2018 federal Water Infrastructure Finance and Innovation Act (WIFIA) authorized the federal Environmental Protection Agency (EPA) to develop and administer a new loan program to support construction of very large capital projects. The loan amount authorized was \$127,730,000 with an interest rate of 3.9% for a 40 year term.

FY 2024 Planned Debt

The Water Department continues to pursue low interest and no interest loans and grants to fund its infrastructure projects.

The Parking Enterprise Fund is planning to issue debt to fund their portion of the Library and Affordable Housing Project that includes a new parking structure.

FY 2024 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.

Debt Service Obligations-Summary of Changes in Long-Term Debt

General Long-Term Debt	Purpose	Balance 6/30/22	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/23	Due Within 1 Year	Due in More Than 1 Year
2009 General Obligation Refunding Bonds Bond Rating: AA+ Maturity: 9/1/2029	Refinanced 1999 GO Bonds. Original issue was for acquisition of land for open space and construction of a community park, fire admin building and fire station upgrades.	3,905,000	-	385,000	3,520,000	410,000	3,110,000
2012 Golf COP Refunding Loan Maturity: 5/1/2029	Refinanced 2004 COP 13. Original issue was for golf course improvements.	1,445,706	-	185,665	1,260,041	192,220	1,067,821
2013 PG&E Loan - LED Streetlights (Interest free) Maturity: 1/1/2023	Replacement of streetlights with LED lighting.	10,332	-	10,332	-	-	-
2015 I-Bank Arterial Streets and Roads Loan Maturity: 8/1/2024	For City-wide road improvements	4,496,253	-	1,473,119	3,023,134	1,498,604	1,524,530
2017 Refunding Lease Revenue Bonds 2007 Bond Rating: AA Maturity: 11/1/2037	Refinanced 2007 LRB's. Original issue was for land and building improvements for the library and water departments.	4,430,000	-	190,000	4,240,000	200,000	4,040,000
2017 Refunding Lease Revenue Bonds Series B Bond Rating: AA Maturity: 11/1/2031	Refinanced 2010 Series B. Original issue was for Civic Center acquisition, construction & improvement.	1,840,000	-	160,000	1,680,000	160,000	1,520,000
2018 California Energy Commission Loan Maturity: 12/22/2033	For comprehensive energy efficiency retrofit project	1,103,702	-	83,325	1,020,377	84,133	936,244
2020 PG&E Loan - Interest Free (155 Center) Maturity: 4/1/2025	Lighting upgrades at the Police Department headquarters.	38,045	-	13,428	24,617	13,428	11,190
2020 PG&E Loan - Interest Free (Branciforte) Maturity: 11/1/2024	Lighting upgrades at DeLaveaga Park	40,402	-	16,718	23,684	16,718	6,965
2020 PG&E Loan - Interest Free (119 Center) Maturity: 3/1/2030	Lighting upgrades at Depot Park	64,683	-	8,346	56,337	8,346	47,991
2023 California Energy Commission Loan Maturity: 12/1/2042	Civic roof restoration, solar panels & boiler controls, HW ballfield lights retrofit, HW pool solar panels, Soquel/Front solar panels.	-	2,424,224	-	2,424,224	-	2,424,224
2023 Banc of America	offset 2023 CEC loan projects	-	3,721,000	-	3,721,000	-	3,721,000
Total General Long-Term Debt		17,374,123	6,145,224	2,525,933	20,993,414	2,583,449	18,409,965

Water Enterprise Liabilities	Purpose	Balance 6/30/22	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/23	Due Within 1 Year	Due in More Than 1 Year
2014 Water Refunding Revenue Bonds Bond Rating: AA- Maturity: 3/1/2036	Refinanced 2006 Water Revenue Bonds and Water Note payable to the State	7,725,000	-	450,000	7,275,000	465,000	6,810,000
2016 I-Bank Water Infrastructure Loan Maturity: 8/1/2046	For City-wide improvements to the water system	22,304,033	-	592,717	21,711,316	611,921	21,099,395
2018 Water Fund BofA Commercial Loan	For water related projects	50,000,000	-	-	50,000,000	-	50,000,000
2019 Water Revenue Bonds Bond Rating: AA- Maturity: 3/1/2049	For City-wide improvements to the water system and to repay the outstanding bank loan.	20,170,000	-	370,000	19,800,000	390,000	19,410,000
2020 Water Resources Loan- Newell Creek Inlet Maturity: 10/1/2052	For the Newell Creek Inlet-Outlet Replacement project.	103,453,000	-	-	103,453,000	2,845,814	100,607,186
2021 Water Resources Loan- Graham Hill Maturity: 4/30/2054	Replacement of 4.5 miles of pipeline to Graham Hill Treatment Plant.	45,900,000	-	-	45,900,000	-	45,900,000
2023 WIFIA Loan	For City-wide improvements to the water system	-	127,730,000	-	127,730,000	-	127,730,000
Total Water Liabilities		249,552,033	127,730,000	1,412,717	375,869,316	4,312,735	371,556,581

Wastewater Enterprise Liabilities	Purpose	Balance 6/30/22	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/23	Due Within 1 Year	Due in More Than 1 Year
2013 Wastewater Refunding Bonds	Facility improvements	329,605	-	329,605	-	-	-
2020 I-Bank Wastewater UV Loan Maturity: 8/1/2050	Ultraviolet light disinfection system replacement project	3,420,278	-	81,715	3,338,563	83,758	3,254,806
Total Wastewater Liabilities		3,749,883	-	411,320	3,338,563	83,758	3,254,806

Refuse Enterprise Liabilities	Purpose	Balance 6/30/22	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/23	Due Within 1 Year	Due in More Than 1 Year
2009 Refuse Refunding Loan Agreement Maturity: 10/1/2023	Refinanced 1999 COP. Original issue was for landfill projects.	423,100	-	278,700	144,400	144,400	-
2020 PG&E Loan - Interest Free (605 Dimeo) Maturity: 10/1/2023	Lighting upgrades at the landfill.	23,767	-	17,825	5,942	5,942	-
Total Refuse Liabilities		446,867	-	296,525	150,342	150,342	-

Parking Enterprise Liabilities	Purpose	Balance 6/30/22	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/23	Due Within 1 Year	Due in More Than 1 Year
2017 Parking Refunding LRB Bond Rating: AA Maturity: 11/1/2028	Refinanced 2010 LRB's. Original issue was 1998 COP 8 for construction of a parking garage.	2,080,000	-	275,000	1,805,000	275,000	1,530,000
2020 PG&E Loan - Interest Free (601 Front) Maturity: 3/1/2024	Lighting upgrades at the parking garage.	47,279	-	27,017	20,263	20,262	-
Total Parking Liabilities		2,127,279	-	302,017	1,825,263	295,262	1,530,000

Storm Water Enterprise Liabilities	Purpose	Balance 6/30/22	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/23	Due Within 1 Year	Due in More Than 1 Year
2014 Storm Water Refunding Revenue Bonds Bond Rating: A+ Maturity: 10/1/2028	Refinanced 2005 Revenue Bonds. Original issue was 1999 COP 9 for San Lorenzo River flood control project.	2,360,000	-	340,000	2,020,000	345,000	1,675,000
Total Storm Water Liabilities		2,360,000	-	340,000	2,020,000	345,000	1,675,000

Total Enterprise Funds Liabilities		258,236,062	127,730,000	2,762,579	383,203,483	5,187,097	378,016,386
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Successor Agency Trust	Purpose	Balance 6/30/22	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/23	Due Within 1 Year	Due in More Than 1 Year
2004 RDA TAB Merged Bond Rating: A Maturity: 10/1/2031	Refinanced 1996 Earthquake Recovery Bonds and raised funds for additional redevelopment projects.	2,625,000	-	215,000	2,410,000	220,000	2,190,000
2011 Housing TABS Series A Maturity: 10/1/2024	To fund housing related projects in the earthquake reconstruction project area.	2,480,000	-	775,000	1,705,000	825,000	880,000
TOTAL Successor Agency Trust		5,105,000	-	990,000	4,115,000	1,045,000	3,070,000

Subtotal Debt Service Obligations		280,715,185	133,875,224	6,278,512	408,311,897	8,815,546	399,496,351
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Pension and Other Post-Employment Benefits Obligations

Public Employees Retirement System (PERS)	Measurement Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Percentage of Assets	Prior Valuation Unfunded Liability
Miscellaneous employees	6/30/2022	411,581,604	465,088,047	53,506,443	88.5%	101,917,301
Safety employees	6/30/2022	261,598,525	325,403,196	63,804,671	80.4%	81,628,137
Total PERS Obligations		673,180,129	790,491,243	117,311,114	85.2%	183,545,438

Other Post-Employment Benefits (OPEB)	Measurement Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Percentage of Assets	Prior Valuation Unfunded Liability
All employees	6/30/2022	4,500,085	49,610,425	45,110,340	9.1%	39,816,181
Total OPEB Obligations		4,500,085	49,610,425	45,110,340	9.1%	39,816,181

Subtotal Pension & OPEB Obligations		677,680,214	840,101,668	162,421,454	80.7%	223,361,619
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Summary of Total Obligations

	FY 20202 Budget Balance as of Reporting Date	Percentage of Total Debt	FY 2023 Budget Balance as of Reporting Date	Percentage of Total Debt
City-wide Debt before Pension	280,715,185		408,311,897	
City-wide Unfunded Pension Liability	223,361,619		162,421,454	

Other future obligations without annual debt service

Compensated absences	6,942,527		2,314,178	
Claims and judgments	17,321,198		12,362,029	
Landfill closure	9,215,755		9,215,755	
Other future debt obligations	33,479,480	6.2%	23,891,962	4.0%

TOTAL ALL CITY OBLIGATIONS	537,556,284		594,625,313	
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