

Debt Service Obligations

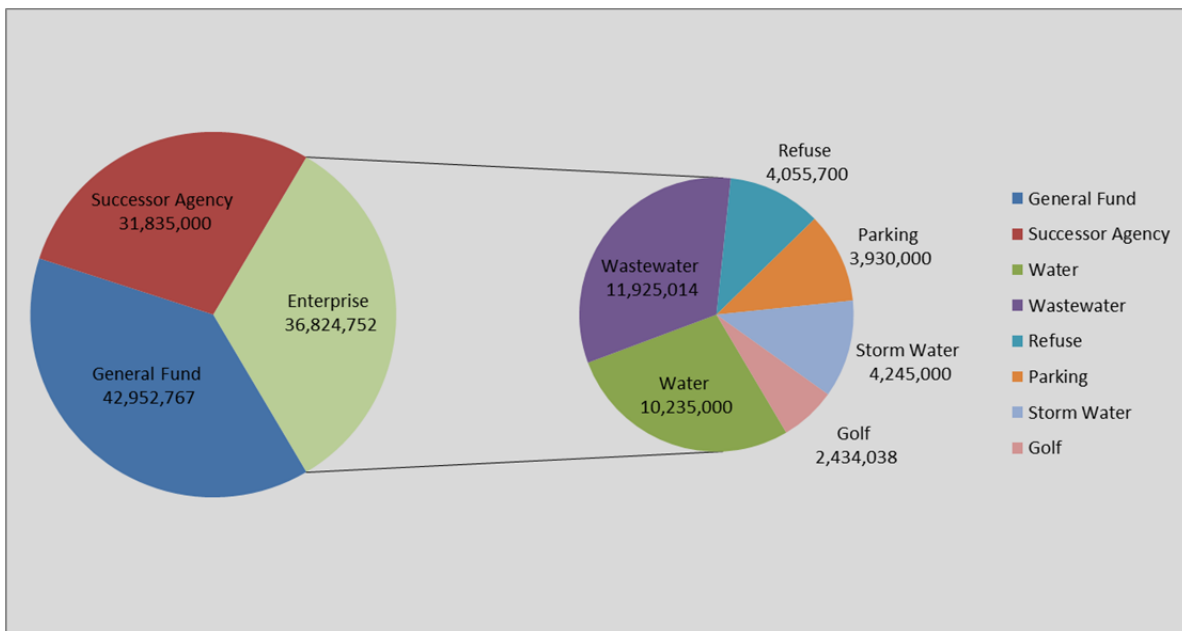
OVERVIEW

The City of Santa Cruz debt service obligations include revenue bonds, general obligation bonds, pension obligation bonds, loans, leases, special assessment bonds, 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.
- *Special Assessment Bonds* – issued to fund a development project. Principal and interest payments are paid by taxes levied on the community benefiting from the particular bond-funded project.
- *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 \$31,835,000 in RDA Successor agency debt, \$42,952,767 in the General Fund, and \$36,824,752 in the City's Enterprise funds for a total outstanding debt obligation of \$111,612,519 at the end of the fiscal year.



Debt Service Obligations

FY 2016 DEBT ISSUES

The following debt issues have been completed in FY 2016:

- California Energy Commission Conservation Act Loan – In August 2015, the City of Santa Cruz entered into a financing loan with the California Energy Commission in the amount of \$1,788,433. The loan is to fund energy efficiency measures throughout the City. The City secured an interest rate of 1.00% for this loan and the term of the loan is 15 years. The estimated completion date of the projects is August 2017 and the debt service payments for this loan are set to begin December 2018.

FY 2017 PLANNED DEBT ISSUES

The following are planned debt issues for the FY 2017:

- Water Infrastructure Loan – The City Water Department has applied for a loan with I-Bank in the amount of \$22 million with an interest rate of 3.24% for the loan. 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.
- Library Bonds – The County Library System is planning to issue debt 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 2016 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 2017 ADOPTED ANNUAL BUDGET
Debt Service Obligations
(A) Summary of Changes in Long-Term Debt

Description	Maturity Date	Balance June 30, 2015	Additions to Debt	Principal Paydown and Maturities	Balance June 30, 2016	Balance	
						Due Within One Year	Due in More Than One Year
<u>GENERAL LONG TERM DEBT</u>							
2007 Lease Revenue Bonds	6/30/2029	5,900,000	-	165,000	5,735,000	170,000	5,565,000
2009 General Obligation Refunding Bonds	9/1/2037	5,965,000	-	235,000	5,730,000	255,000	5,475,000
2010 Pension Obligation Bonds	6/1/2022	17,160,000	-	1,850,000	15,310,000	2,015,000	13,295,000
2010 Refunding Lease Revenue Bonds B	4/1/2031	3,095,000	-	150,000	2,945,000	155,000	2,790,000
PG&E Loan - LED Streetlights (Interest free)	11/1/2022	184,544	-	24,953	159,592	24,953	134,639
ZION Bank Loan - Homeless Shelter Project	1/1/2021	297,379	-	47,749	249,630	48,460	201,170
I-Bank Arterial Streets and Roads Loan	8/1/2024	14,130,000	-	1,306,455	12,823,545	1,329,057	11,494,488
Total General Long Term Debt		46,731,923	-	3,779,157	42,952,767	3,997,470	38,955,297
<u>ENTERPRISE DEBT</u>							
2014 Water Refunding Revenue Bonds	3/1/2036	10,670,000	-	435,000	10,235,000	400,000	9,835,000
Total Water Liabilities		10,670,000	-	435,000	10,235,000	400,000	9,835,000
2013 Wastewater Refunding Bonds	11/2/2022	15,359,178	-	3,434,164	11,925,014	3,491,526	8,433,488
Total Wastewater Liabilities		15,359,178	-	3,434,164	11,925,014	3,491,526	8,433,488
2009 Refuse Refunding Loan Agreement	10/1/2023	2,039,700	-	199,000	1,840,700	208,700	1,632,000
2010 Enterprise Revenue Bonds	10/1/2021	2,545,000	-	330,000	2,215,000	340,000	1,875,000
State Loan to Refuse (Interest free)	6/30/2016	33,334	-	33,334	-	-	-
Total Refuse Liabilities		4,618,034	-	562,334	4,055,700	548,700	3,507,000
2010 Parking Lease Revenue Bonds	5/1/2028	4,190,000	-	260,000	3,930,000	265,000	3,665,000
Total Parking Liabilities		4,190,000	-	260,000	3,930,000	265,000	3,665,000
2014 Storm Water Refunding Revenue Bonds	10/1/2028	4,520,000	-	275,000	4,245,000	300,000	3,945,000
Total Storm Water Liabilities		4,520,000	-	275,000	4,245,000	300,000	3,945,000
2012 Golf COP Refunding Loan	5/1/2029	2,579,667	-	145,629	2,434,038	150,771	2,283,267
Total Golf Liabilities		2,579,667	-	145,629	2,434,038	150,771	2,283,267
Total Enterprise Debt		41,936,879	-	5,112,127	36,824,752	5,155,997	31,668,755
<u>SUCCESSOR AGENCY TRUST</u>							
2004 RDA TAB Merged	10/1/2031	3,895,000	-	160,000	3,735,000	165,000	3,570,000
2011 Housing TABS Series A	10/1/2024	6,720,000	-	495,000	6,225,000	530,000	5,695,000
2011 Taxable TABS Series B	10/1/2026	17,120,000	-	975,000	16,145,000	1,040,000	15,105,000
2011 Tax-Exempt TABS Series C	10/1/2026	6,120,000	-	390,000	5,730,000	410,000	5,320,000
TOTAL Successor Agency Trust		33,855,000	-	2,020,000	31,835,000	2,145,000	29,690,000
<u>SPECIAL ASSESSMENT BONDS</u>							
Harvey West Assessment Bond	9/2/2015	130,000	-	130,000	-	-	-
Total Special Assessment Debt		130,000	-	130,000	-	-	-
SUBTOTAL DEBT BEFORE PENSION		122,653,802	-	11,041,284	111,612,519	11,298,467	100,314,052

CITY OF SANTA CRUZ
FY 2017 ADOPTED 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	6/30/2013	266,413,489	301,636,759	35,223,270	88.3%	72,616,578
Safety- Fire Tier 1	6/30/2013	68,299,191	84,563,288	16,264,097	80.8%	17,369,713
Safety- Fire Tier 2	6/30/2013	220,130	208,760	(11,370)	105.4%	14,722
Safety- Fire Tier 3 (PEPRA)	6/30/2013	-	-	-	0.0%	-
Safety- Police Tier 1	6/30/2013	97,552,172	120,411,974	22,859,802	81.0%	24,523,905
Safety- Police Tier 2	6/30/2013	228,647	209,659	(18,988)	109.1%	11,169
Safety- Police Tier 3 (PEPRA)	6/30/2013	-	-	-	0.0%	-
Total PERS Obligations		432,713,629	507,030,440	74,316,811	85.3%	114,536,087
<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		432,713,629	527,036,070	94,322,441	82.1%	130,957,078

CITY OF SANTA CRUZ
FY 2017 ADOPTED ANNUAL BUDGET
Pension Obligations
(C) Comparative Summary of Total Obligations

Description	FY2015 Budget Balance as of Reporting Date	Percentage of Total Debt	FY 2016 Budget Balance as of Reporting Date	Percentage of Total Debt	
City-wide Debt before Pension	122,653,802		111,612,519		
Less: Pension Obligation Bonds	(17,160,000)		(15,310,000)		
Net City-wide Debt before all Pension costs	105,493,802	39.3%	96,302,519	43.3%	
Pension Obligation Bonds	17,160,000		15,310,000		
City-wide Unfunded Pension Liability	130,957,078		94,322,441		
City-wide Pension Obligations	148,117,078	55.2%	109,632,441	49.3%	
Other future obligations without annual debt service					
Compensated absences	1,397,822		1,404,442		Includes amount
Claims and judgments	7,143,875		8,314,017		Includes amount
Landfill closure	6,250,581		6,581,325		Includes amount
Other future debt obligations	14,792,278	5.5%	16,299,784	7.3%	
TOTAL OBLIGATIONS	268,403,158		222,234,744		

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 2015:

Total assessed value	7,726,335,775 ⁽²⁾
Fifteen percent (15%) of total assessed value	1,158,950,366
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>1,154,309,802</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)