

Debt Service Obligations

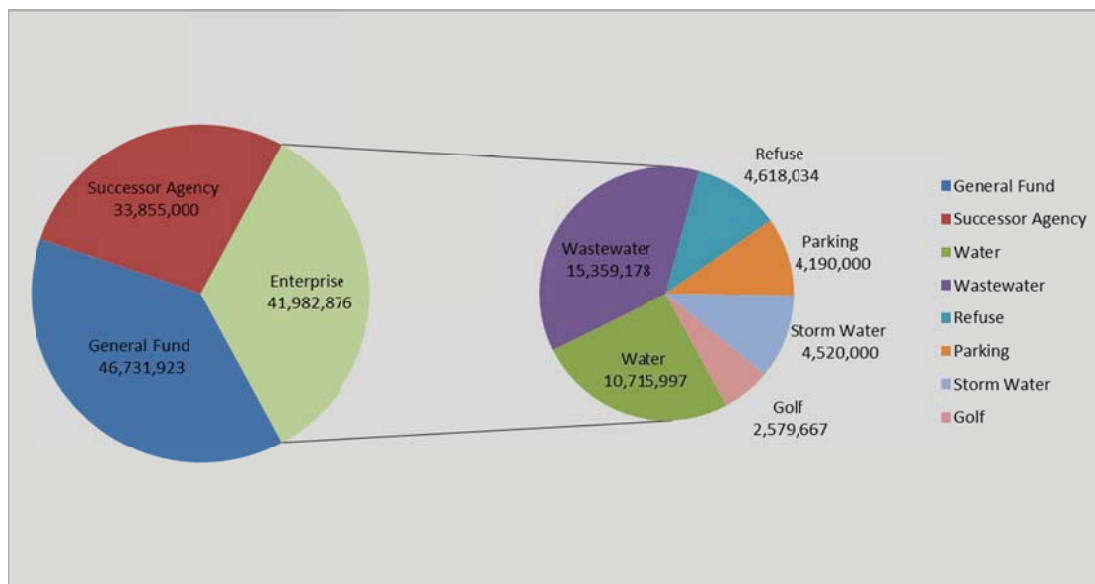
OVERVIEW

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 (page 25).

- *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 \$33,855,000 in RDA Successor agency debt, \$46,731,923 in the General Fund, and \$41,982,876 in the City's Enterprise funds for a total outstanding debt obligation of \$122,569,799 at the end of the fiscal year.



Debt Service Obligations

FY 2015 DEBT ISSUES

The following debt issues have been completed in FY 2015:

- 2014 Water Refunding Revenue Bonds – The City of Santa Cruz refunded \$11.26 million in outstanding Water debt. The refunding was for a 2006 issue with outstanding debt of \$10,400,000 with an interest rate of 4.000-4.750%. The new issue lowers the interest rate to 2.000-3.750%. This will result in a savings of over \$525,000.
- 2014 Storm Water Refunding Revenue Bonds – The City of Santa Cruz refunded \$4.52 million in outstanding Storm Water debt. The refunding was for a 2005 issue with outstanding debt of \$4,620,000 with an interest rate of 3.000-4.000%. The new issue lowers the interest rate to 2.000-3.000%. This will result in a net savings of over \$395,000.
- I-Bank Arterial Streets and Roads Loan – The City of Santa Cruz entered into a financing lease with the California Infrastructure and Economic Development Bank in the amount of \$14,130,000. The loan is to partially fund the City-Wide Road Improvements Project as described in the Capital Improvement Program (Project #c400809 & c400810). The City was able to solidify an interest rate of 2.000% for this loan. In November 2006, citizens in the City of Santa Cruz voted in favor of Measure H to replace a temporary 1/4% sales tax increase with a permanent 1/2% increase for a final rate of 8 1/2 %. One half of the additional revenue generated was to be for general City operations, with the majority of the remaining revenue dedicated to improving the City's streets and roads.

The following debt issues are expected to be completed by the end of FY 2015:

- Water Infrastructure Loan – The City Water Department plans to apply for a loan with I-Bank and 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.

FY 2016 PLANNED DEBT ISSUES

The following are planned debt issues for the FY 2016:

- 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 2014 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 2016 ADOPTED ANNUAL BUDGET
Debt Service Obligations
(A) Summary of Changes in Long-Term Debt

Description	Balance June 30, 2014	Additions to Debt	Principal Paydown and Maturities	Balance June 30, 2015	Balance	
					Due Within One Year	Due in More Than One Year
<u>GENERAL LONG TERM DEBT</u>						
2007 Lease Revenue Bonds	6,055,000	-	155,000	5,900,000	165,000	5,735,000
2009 General Obligation Refunding Bonds	6,185,000	-	220,000	5,965,000	235,000	5,730,000
2010 Pension Obligation Bonds	18,860,000	-	1,700,000	17,160,000	1,850,000	15,310,000
2010 Refunding Lease Revenue Bonds B	3,245,000	-	150,000	3,095,000	150,000	2,945,000
PG&E Loan - LED Streetlights (Interest free)	209,497	-	24,953	184,544	24,953	159,592
ZION Bank Loan - Homeless Shelter Project	344,427	-	47,048	297,379	47,749	249,630
I-Bank Arterial Streets and Roads Loan	-	14,130,000		14,130,000	1,306,455	12,823,545
Total General Long Term Debt	34,898,924	14,130,000	2,297,001	46,731,923	3,779,157	42,952,767
<u>ENTERPRISE DEBT</u>						
2006 Water Revenue Bonds	10,400,000	-	10,400,000	-	-	-
2014 Water Refunding Revenue Bonds	-	11,260,000	590,000	10,670,000	435,000	10,235,000
State Loan to Water	135,982	-	89,985	45,997	45,997	-
Total Water Liabilities	10,535,982	11,260,000	11,079,985	10,715,997	480,997	10,235,000
2013 Wastewater Refunding Bonds	18,701,778	-	3,342,600	15,359,178	3,434,164	11,925,014
Total Wastewater Liabilities	18,701,778	-	3,342,600	15,359,178	3,434,164	11,925,014
2009 Refuse Refunding Loan Agreement	2,229,400	-	189,700	2,039,700	199,000	1,840,700
2010 Enterprise Revenue Bonds	2,870,000	-	325,000	2,545,000	330,000	2,215,000
Refuse Equipment Lease 09-027	171,096	-	171,096	-	-	-
State Loan to Refuse (Interest free)	66,667	-	33,333	33,334	33,334	-
Total Refuse Liabilities	5,337,163	-	719,129	4,618,034	562,334	4,055,700
2010 Parking Lease Revenue Bonds	4,445,000	-	255,000	4,190,000	260,000	3,930,000
RDA Successor Agency Loan to Parking	35,295	-	35,295	-	-	-
Total Parking Liabilities	4,480,295	-	290,295	4,190,000	260,000	3,930,000
2005 Storm Water Revenue Bonds	4,620,000	-	4,620,000	-	-	-
2014 Storm Water Refunding Revenue Bonds	-	4,520,000	-	4,520,000	275,000	4,245,000
Total Storm Water Liabilities	4,620,000	4,520,000	4,620,000	4,520,000	275,000	4,245,000
2012 Golf COP Refunding Loan	2,720,330	-	140,663	2,579,667	145,629	2,434,038
Total Golf Liabilities	2,720,330	-	140,663	2,579,667	145,629	2,434,038
Total Enterprise Debt	46,395,548	15,780,000	20,192,672	41,982,876	5,158,124	36,824,752
<u>SUCCESSOR AGENCY TRUST</u>						
2004 RDA TAB Merged	4,050,000	-	155,000	3,895,000	160,000	3,735,000
2011 Housing TABS Series A	7,185,000	-	465,000	6,720,000	495,000	6,225,000
2011 Taxable TABS Series B	18,035,000	-	915,000	17,120,000	975,000	16,145,000
2011 Tax-Exempt TABS Series C	6,490,000	-	370,000	6,120,000	390,000	5,730,000
TOTAL Successor Agency Trust	35,760,000	-	1,905,000	33,855,000	2,020,000	31,835,000
<u>SPECIAL ASSESSMENT BONDS</u>						
Harvey West Assessment Bond	130,000	-	130,000	-	-	-
Total Special Assessment Debt	130,000	-	130,000	-	-	-
SUBTOTAL DEBT BEFORE PENSION	117,184,472	29,910,000	24,524,673	122,569,799	10,957,281	111,612,519

CITY OF SANTA CRUZ
FY 2016 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	June 30, 2013	229,020,181	301,636,759	72,616,578	75.9%	82,579,633
Safety- Fire Tier 1	June 30, 2013	59,910,484	77,280,197	17,369,713	77.5%	19,518,788
Safety- Fire Tier 2	June 30, 2013	61,116	75,838	14,722	80.6%	-
Safety- Fire Tier 3 (PEPRA)	June 30, 2013	-	-	-	0.0%	-
Safety- Police Tier 1	June 30, 2013	84,586,257	109,110,162	24,523,905	77.5%	27,237,936
Safety- Police Tier 2	June 30, 2013	46,367	57,536	11,169	80.6%	27
Safety- Police Tier 3 (PEPRA)	June 30, 2013	-	-	-	0.0%	-
Total PERS Obligations		373,624,405	488,160,492	114,536,087	76.5%	129,336,384
<u>Other Post Employment Benefits (OPEB)</u>						
All employees	June 30, 2012	-	16,420,991	16,420,991	0.0%	18,343,000
Total OPEB Obligations		-	16,420,991	16,420,991	0.0%	18,343,000
SUBTOTAL PENSION		373,624,405	504,581,483	130,957,078	74.0%	147,679,384

CITY OF SANTA CRUZ
FY 2016 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	117,184,471		122,569,799	
Less: Pension Obligation Bonds	(18,860,000)		(17,160,000)	
Net City-wide Debt before all Pension costs	98,324,471	35.2%	105,409,799	39.3%
Pension Obligation Bonds	18,860,000		17,160,000	
City-wide Unfunded Pension Liability	147,679,384		130,957,078	
City-wide Pension Obligations	166,539,384	59.7%	148,117,078	55.2%
Other future obligations without annual debt service				
Compensated absences	977,470		1,397,822	
Claims and judgments	7,143,875		7,143,875	
Landfill closure	6,003,761		6,250,581	
Other future debt obligations	14,125,106	5.1%	14,792,278	5.5%
TOTAL OBLIGATIONS	278,988,961		268,319,155	

Debt Service Obligations

Legal Debt Margin

		Fiscal Year Ended June 30,		
		2012	2013	2014
Debt limit	\$	1,048,788,084	\$ 1,047,073,540	\$ 1,086,579,507
Total net debt applicable to limit		5,237,487	5,061,026	4,862,058
Legal debt margin	\$	1,043,550,597	\$ 1,042,012,514	\$ 1,081,717,449
Total net debt applicable to the limit as a percentage of debt limit		0.50%	0.48%	0.45%

Legal Debt Margin Calculation For Fiscal Year 2014:

Total assessed value	\$	7,243,863,380 *
Debt limit (15% of total assessed value)		1,086,579,507
Debt applicable to limit:		
General obligation bonds (reported at accreted value)		6,185,000
Less: Amount available in debt service fund for repayment of bonds		1,322,942
Total net debt applicable to limit		4,862,058
Legal debt margin	\$	1,081,717,449

Notes:

Section 1418 of the Charter of the City of Santa Cruz limits general obligation bond indebtedness to 15% of the total assessed valuation of all real personal property within the City.

*Total Assessed Value from FY14

Source:

County of Santa Cruz Auditor-Controller's Office
City of Santa Cruz Finance Department

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