

# Debt Service Obligations

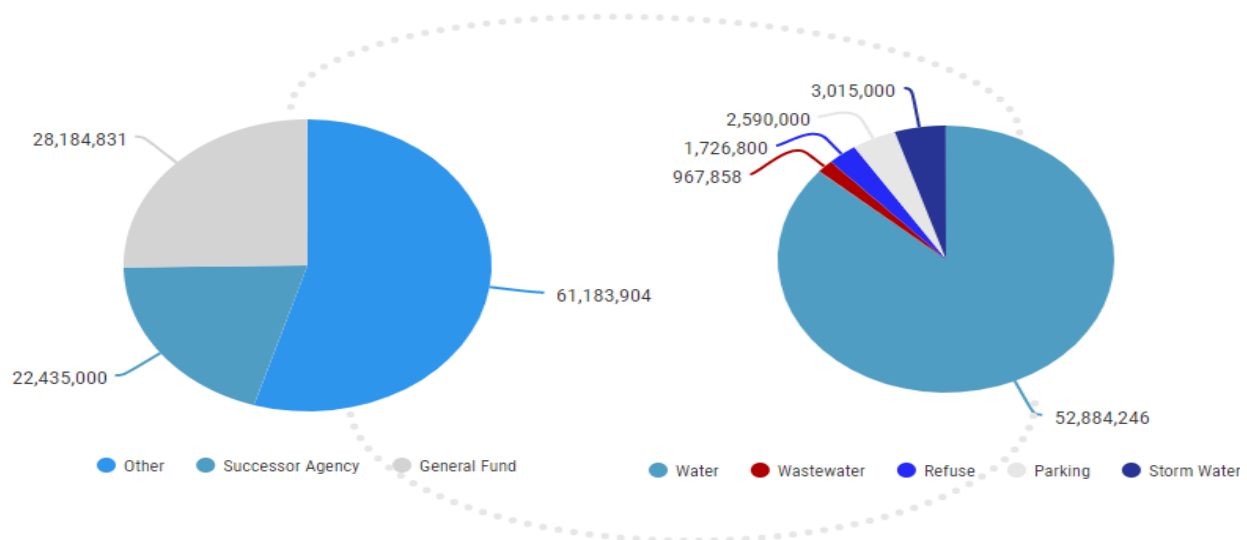
## Overview

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 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 \$22,435,000 in RDA Successor agency debt, \$28,184,831 in the General Fund, and \$61,183,904 in the City's Enterprise funds for a total outstanding debt obligation of \$111,803,735 at the end of the fiscal year.



# Debt Service Obligations

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## **FY 2020 Debt Issues**

The following debt issues have been completed in FY 2020:

- Water Department – On December 12, 2019, the Water Department received a bond in the amount of \$20,925,000. The proceeds of the bond will be used to finance capital improvement projects for the City's water system and repay all of the outstanding amounts due under a Credit Agreement, dated as of June 19, 2018 with Bank of America, N.A., which were used to pay for capital improvement projects for Water Systems.

## **FY 2021 Planned Debt Issues**

The following are planned debt issues for the FY 2021:

- The Wastewater Treatment Facility Infrastructure and Major Equipment Study, completed November 2018, performed a condition assessment of all wastewater plant assets. Study results show the plant 21kV power distribution system is at risk of catastrophic failure and the emergency power generation systems have reached the end of their useful life. Study 2 Final Technical Memorandum recommends reconfiguration of the Treatment Plant power system. The total estimated cost for the work that needs to be done is \$33.8 million.
- The Water Department is also pursuing two Drinking Water State Revolving Fund (DWSRF), low interest loans for an estimated total of \$150 million. The first loan (\$103 million) is on track to be executed in FY 2020 with the second in FY 2021 (\$45.9 million). The Water Department is also pursuing a Water Infrastructure Finance and Innovation Act (WIFIA) federal loan through the US EPA. Using the DWSRF as the 51% match, WIFIA low interest loans and allows agencies to "bundle" projects for financing. The Department will also need to issue revenue bonds at regular intervals over the next 10 years to support the capital program. The extent and timing of bond issues will depend upon future construction bids which will be partially offset by state and federal grants and loans.

## **FY 2020 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 2021 ANNUAL BUDGET**  
**Debt Service Obligations**  
**(A) Summary of Changes in Long-Term Debt**

Description	Maturity Date	Balance June 30, 2019	Additions to Debt	Principal Paydown and Maturities	Balance June 30, 2020	Balance	
						Due Within One Year	Due in More Than One Year
<b><u>GENERAL LONG TERM DEBT</u></b>							
2017 Refunding Lease Revenue Bonds 2007	11/1/2037	4,975,000	-	175,000	4,800,000	180,000	4,620,000
2017 Refunding Lease Revenue Bonds Ser B	11/1/2031	2,280,000	-	140,000	2,140,000	145,000	1,995,000
2010 Pension Obligation Bonds	6/1/2022	8,685,000	-	2,645,000	6,040,000	2,890,000	3,150,000
2009 General Obligation Refunding Bonds	9/1/2029	4,915,000	-	315,000	4,600,000	335,000	4,265,000
2012 Golf COP Refunding Loan	5/1/2029	1,972,101	-	165,116	1,806,984	173,219	1,633,766
PG&E Loan - LED Streetlights (Interest free)	1/1/2023	84,727	-	29,118	55,610	24,798	30,811
2020 PG&E Loan - Interest Free			69,376	5,595	63,781	13,428	50,354
ZION Bank Loan - Homeless Shelter Project	1/1/2021	102,813	-	60,000	42,813	42,813	-
I-Bank Arterial Streets and Roads Loan	8/1/2024	8,766,998	-	1,399,235	7,367,763	1,423,442	5,944,321
California Energy Commission Loan	12/22/2033	1,338,311	-	70,431	1,267,880	81,679	1,186,201
<b>Total General Long Term Debt</b>		<b>33,119,950</b>	<b>69,376</b>	<b>5,004,495</b>	<b>28,184,831</b>	<b>5,309,379</b>	<b>22,875,452</b>
<b><u>ENTERPRISE DEBT</u></b>							
2014 Water Refunding Revenue Bonds	3/1/2036	9,015,000		420,000	8,595,000	430,000	8,165,000
I-Bank Water Infrastructure Loan	8/1/2046	23,972,892		538,646	23,434,246	556,098	22,878,148
2018 Water Fund BofA Commerical Loan	6/19/2020	10,500,000		10,500,000	-		-
2019 Water Revenue Bonds			20,925,000	70,000	20,855,000	335,000	20,520,000
<b>Total Water Liabilities</b>		<b>43,487,892</b>	<b>20,925,000</b>	<b>958,646</b>	<b>52,884,246</b>	<b>1,321,098</b>	<b>31,043,148</b>
2013 Wastewater Refunding Bonds	11/2/2022	1,272,570	-	304,712	967,858	314,519	653,339
<b>Total Wastewater Liabilities</b>		<b>1,272,570</b>	<b>-</b>	<b>304,712</b>	<b>967,858</b>	<b>314,519</b>	<b>653,339</b>
2009 Refuse Refunding Loan Agreement	10/1/2023	1,183,000	-	241,200	941,800	253,100	688,700
2010 Enterprise Revenue Bonds	10/1/2021	1,160,000	-	375,000	785,000	385,000	400,000
<b>Total Refuse Liabilities</b>		<b>2,343,000</b>	<b>-</b>	<b>616,200</b>	<b>1,726,800</b>	<b>638,100</b>	<b>1,088,700</b>
2017 Parking Refunding LRB	11/1/2028	2,830,000	-	240,000	2,590,000	250,000	2,340,000
<b>Total Parking Liabilities</b>		<b>2,830,000</b>	<b>-</b>	<b>240,000</b>	<b>2,590,000</b>	<b>250,000</b>	<b>2,340,000</b>
2014 Storm Water Refunding Revenue Bonds	10/1/2028	3,330,000	-	315,000	3,015,000	325,000	2,690,000
<b>Total Storm Water Liabilities</b>		<b>3,330,000</b>	<b>-</b>	<b>315,000</b>	<b>3,015,000</b>	<b>325,000</b>	<b>2,690,000</b>
<b>Total Enterprise Debt</b>		<b>53,263,462</b>	<b>20,925,000</b>	<b>2,434,558</b>	<b>61,183,904</b>	<b>2,848,717</b>	<b>37,815,187</b>
<b><u>SUCCESSOR AGENCY TRUST</u></b>							
2004 RDA TAB Merged	10/1/2031	3,215,000	-	190,000	3,025,000	195,000	2,830,000
2011 Housing TABS Series A	10/1/2024	4,530,000	-	640,000	3,890,000	685,000	3,205,000
2011 Taxable TABS Series B	10/1/2026	12,810,000	-	1,265,000	11,545,000	1,350,000	10,195,000
2011 Tax-Exempt TABS Series C	10/1/2026	4,445,000	-	470,000	3,975,000	490,000	3,485,000
<b>TOTAL Successor Agency Trust</b>		<b>25,000,000</b>	<b>-</b>	<b>2,565,000</b>	<b>22,435,000</b>	<b>2,720,000</b>	<b>19,715,000</b>
<b>SUBTOTAL DEBT BEFORE PENSION</b>		<b>111,383,411</b>	<b>20,994,376</b>	<b>10,004,052</b>	<b>111,803,735</b>	<b>10,878,096</b>	<b>80,405,639</b>

**CITY OF SANTA CRUZ**  
**FY 2021 ANNUAL BUDGET**  
**Pension Obligations**  
**(B) Summary of Funding Progress**

Description	Measurement Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Percentage of Assets	Prior Valuation Unfunded Liability
<b><u>Public Employees' Retirement System (PERS)</u></b>						
Miscellaneous employees	6/30/2018	316,865,468	408,424,540	91,559,072	77.6%	102,721,029
Safety	6/30/2018	197,077,754	265,365,425	68,287,671	74.3%	67,411,262
<b>Total PERS Obligations</b>		<b>513,943,222</b>	<b>673,789,965</b>	<b>159,846,743</b>	<b>76.3%</b>	<b>170,132,291</b>
<b><u>Other Post Employment Benefits (OPEB)</u></b>						
All employees	6/30/2017	-	38,141,658	38,141,658	0.0%	39,367,937
<b>Total OPEB Obligations</b>		<b>-</b>	<b>38,141,658</b>	<b>38,141,658</b>	<b>0.0%</b>	<b>39,367,937</b>
<b>SUBTOTAL PENSION</b>		<b>513,943,222</b>	<b>711,931,623</b>	<b>197,988,401</b>	<b>76.3%</b>	<b>209,500,228</b>

**CITY OF SANTA CRUZ**  
**FY 2021 ANNUAL BUDGET**  
**Pension Obligations**  
**(C) Comparative Summary of Total Obligations**

Description	FY 2019 Budget Balance as of Reporting Date	Percentage of Total Debt	FY 2020 Budget Balance as of Reporting Date	Percentage of Total Debt
City-wide Debt before Pension	111,383,411		111,803,735	
Less: Pension Obligation Bonds	(8,685,000)		(6,040,000)	
<b>Net City-wide Debt before all Pension costs</b>	<b>102,698,411</b>	<b>30.2%</b>	<b>105,763,735</b>	<b>32.1%</b>
Pension Obligation Bonds	8,685,000		6,040,000	
City-wide Unfunded Pension Liability	209,500,228		197,988,401	
<b>City-wide Pension Obligations</b>	<b>218,185,228</b>	<b>64.2%</b>	<b>204,028,401</b>	<b>62.0%</b>
Other future obligations without annual debt service				
Compensated absences	1,755,751		1,739,010	
Claims and judgments	9,931,581		9,852,894	
Landfill closure	7,449,025		7,918,597	
<b>Other future debt obligations</b>	<b>19,136,357</b>	<b>5.6%</b>	<b>19,510,501</b>	<b>5.9%</b>
<b>TOTAL OBLIGATIONS</b>	<b>340,019,996</b>		<b>329,302,637</b>	