

Debt Service and Pension Obligations

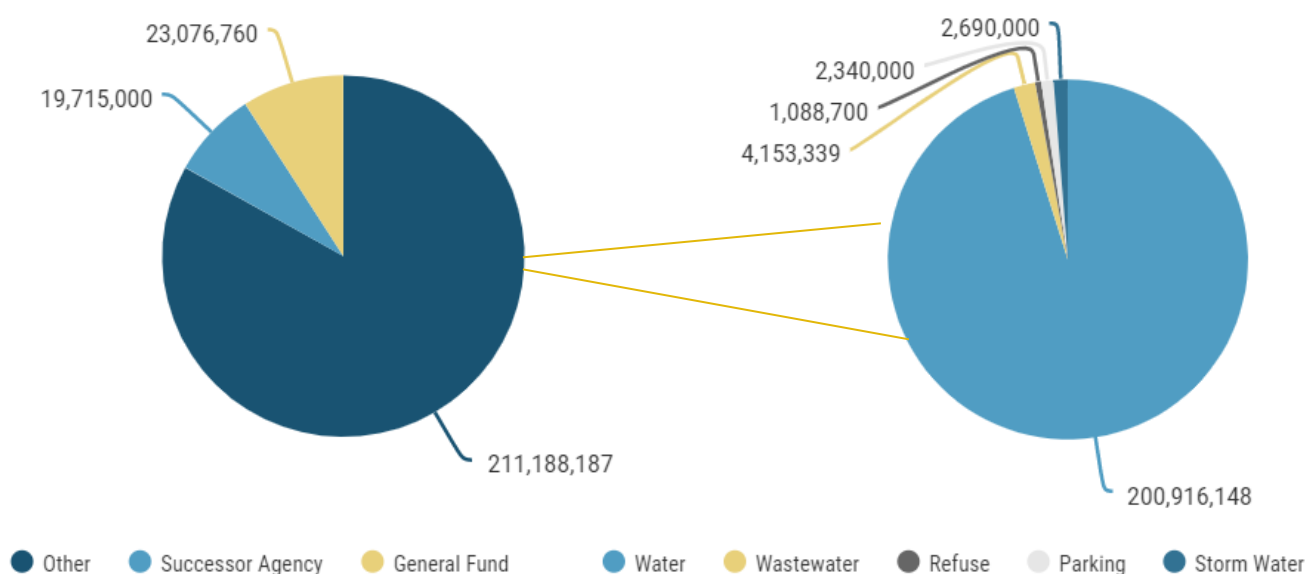
Overview

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 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 \$19,715,000 in RDA Successor agency debt, \$23,076,760 in the General Fund, and \$61,183,904 in the City's Enterprise funds for a total outstanding debt obligation of \$211,188,187 at the end of the fiscal year.



FY 2021 Debt Issues

The following debt issues have been completed in FY 2021:

- The Wastewater Treatment Facility Infrastructure and Major Equipment Study, completed April 2021, performed a condition assessment of all wastewater plant assets. Study results show the plant 21kV power distribution system is at risk of failure and the emergency power generation systems have reached the end of their useful life. The total estimated cost for the work that needs to be done is \$37 million. A loan for the remaining costs will be secured once the project has been designed and cost estimate updated. A portion of the project was financed with a \$3 million loan from IBank.
- The Water Department has executed two Drinking Water State Revolving Fund (DWSRF), low interest loans for a total of \$149.3 million. The first loan (\$103.4 million) was executed in September 2020 with the second executed in April 2021 (\$45.9 million) In the near future, a third DWSRF loan is being pursued for the Graham Hill Water Treatment Plant Facilities Improvement Project. The Water Department is also considering 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 15 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 2022 Planned Debt

No planned debt for FY 2022.

FY 2021 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

General Long Term Debt	Maturity Date	Balance 6/30/20	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/21	Due Within 1 Year	Due in More Than 1 Year
2017 Refunding Lease Revenue Bonds 2007	11/1/2037	4,800,000	-	180,000	4,620,000	190,000	4,430,000
2017 Refunding Lease Revenue Bonds Series B	11/1/2031	2,140,000	-	145,000	1,995,000	155,000	1,840,000
2010 Pension Obligation Bonds	6/1/2022	6,040,000	-	2,890,000	3,150,000	3,150,000	-
2009 General Obligation Refunding Bonds	9/1/2029	4,600,000	-	335,000	4,265,000	360,000	3,905,000
2012 Golf COP Refunding Loan	5/1/2029	1,806,984	-	173,219	1,633,765	179,334	1,454,431
PG&E Loan - LED Streetlights (Interest free)	1/1/2023	61,996	-	24,953	37,043	24,953	12,091
2020 PG&E Loan - Interest Free (155 Center)	4/1/2025	-	64,900	13,428	51,472	13,428	38,045
2020 PG&E Loan - Interest Free (605 Dimeo)	10/1/2023	-	59,418	17,825	41,593	17,825	23,767
2020 PG&E Loan - Interest Free (601 Front)	3/1/2024	-	74,296	27,017	47,279	27,017	20,263
2020 PG&E Loan - Interest Free (Branciforte)	11/1/2024	-	57,121	16,718	40,402	16,718	23,684
2020 PG&E Loan - Interest Free (119 Center)	3/1/2030	-	73,029	8,346	64,683	8,346	56,337
ZION Bank Loan - Homeless Shelter Project	1/1/2021	42,813	-	42,813	-	-	-
I-Bank Arterial Streets and Roads Loan	8/1/2024	7,367,763	-	1,423,442	5,944,321	1,448,068	4,496,253
California Energy Commission Loan	12/22/2033	1,267,880	-	81,679	1,186,201	82,498	1,103,703
Total General Long Term Debt		28,127,436	328,764	5,379,440	23,076,760	5,673,187	17,403,573

Water Enterprise Liabilities	Maturity Date	Balance 6/30/20	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/21	Due Within 1 Year	Due in More Than 1 Year
2014 Water Refunding Revenue Bonds	3/1/2036	8,595,000	-	430,000	8,165,000	440,000	7,725,000
I-Bank Water Infrastructure Loan	8/1/2046	23,434,246	-	556,098	22,878,148	574,115	22,304,033
2018 Water Fund BofA Commercial Loan	6/19/2020	-	-	-	-	-	-
2019 Water Revenue Bonds	3/1/2049	20,855,000	-	335,000	20,520,000	350,000	20,170,000
2020 Water Resources Loan-Newell Creek Inlet	10/1/2052	-	103,453,000	-	103,453,000	-	103,453,000
2021 Water Resources Loan-Graham Hill	4/30/2054	-	45,900,000	-	45,900,000	-	45,900,000
Total Water Liabilities		52,884,246	149,353,000	1,321,098	200,916,148	1,364,115	199,552,033

Wastewater Enterprise Liabilities	Maturity Date	Balance 6/30/20	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/21	Due Within 1 Year	Due in More Than 1 Year
2013 Wastewater Refunding Bonds	11/2/2022	967,858	-	314,519	653,339	323,734	329,605
2020 I-Bank Wastewater UV Loan	8/1/2050	-	3,500,000	-	3,500,000	79,722	3,420,278
Total Wastewater Liabilities		967,858	3,500,000	314,519	4,153,339	403,456	3,749,883

Refuse Enterprise Liabilities	Maturity Date	Balance 6/30/20	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/21	Due Within 1 Year	Due in More Than 1 Year
2009 Refuse Refunding Loan Agreement	10/1/2023	941,800	-	253,100	688,700	265,600	423,100
2010 Enterprise Revenue Bonds	10/1/2021	785,000	-	385,000	400,000	400,000	-
Total Refuse Liabilities		1,726,800	-	638,100	1,088,700	665,600	423,100

Parking Enterprise Liabilities	Maturity Date	Balance 6/30/20	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/21	Due Within 1 Year	Due in More Than 1 Year
2017 Parking Refunding LRB	11/1/2028	2,590,000	-	250,000	2,340,000	260,000	2,080,000
Total Parking Liabilities		2,590,000	-	250,000	2,340,000	260,000	2,080,000

Storm Water Enterprise Liabilities	Maturity Date	Balance 6/30/20	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/21	Due Within 1 Year	Due in More Than 1 Year
2014 Storm Water Refunding Revenue Bonds	10/1/2028	3,015,000	-	325,000	2,690,000	330,000	2,360,000
Total Storm Water Liabilities		3,015,000	-	325,000	2,690,000	330,000	2,360,000

Total Enterprise Funds Liabilities		61,183,904	152,853,000	2,848,717	211,188,187	3,023,171	208,165,016
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Successor Agency Trust	Maturity Date	Balance 6/30/20	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/21	Due Within 1 Year	Due in More Than 1 Year
2004 RDA TAB Merged	10/1/2031	3,025,000	-	195,000	2,830,000	205,000	2,625,000
2011 Housing TABS Series A	10/1/2024	3,890,000	-	685,000	3,205,000	725,000	2,480,000
2011 Taxable TABS Series B	10/1/2026	11,545,000	-	1,350,000	10,195,000	1,435,000	8,760,000
2011 Tax-Exempt TABS Series C	10/1/2026	3,975,000	-	490,000	3,485,000	515,000	2,970,000
TOTAL Successor Agency Trust		22,435,000	-	2,720,000	19,715,000	2,880,000	16,835,000

Subtotal Debt Service Obligations		111,746,340	153,181,764	10,948,157	253,979,947	11,576,358	242,403,589
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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	Unfunded Percentage of Assets	Prior Valuation Unfunded Liability
Miscellaneous employees	6/30/2019	331,377,514	428,129,657	96,752,143	77.4%	91,559,072
Safety employees	6/30/2019	205,395,045	279,620,393	74,225,347	73.5%	68,287,671
Total PERS Obligations		22,435,000	-	2,720,000	19,715,000	2,880,000

Other Post Employment Benefits (OPEB)	Measurement Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Unfunded Percentage of Assets	Prior Valuation Unfunded Liability
All employees	6/30/2019	-	43,571,318	43,571,318	0.0%	38,141,658
Total OPEB Obligations		-	43,571,318	43,571,318	0.0%	38,141,658

Subtotal Pension & OPEB Obligations		536,772,559	751,321,368	214,548,808	71.4%	197,988,401
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	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	111,746,340		253,979,947	
Less: Pension Obligation Bonds	(6,040,000)		(3,150,000)	
Net City-wide Debt before all Pension costs	105,706,340	32.1%	250,829,947	51.4%

Pension Obligation Bonds	6,040,000		3,150,000	
City-wide Unfunded Pension Liability	197,988,401		214,548,808	
City-wide Pension Obligations	204,028,401	62.0%	217,698,808	44.6%

Other future obligations without annual debt service

Compensated absences	1,739,010		1,782,228	
Claims and judgments	9,852,894		9,852,894	
Landfill closure	7,918,597		7,917,923	
Other future debt obligations	19,510,501	5.9%	19,553,045	4.0%

TOTAL ALL CITY OBLIGATIONS	329,245,242		488,081,800	
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