

Debt Service and Pension Obligations

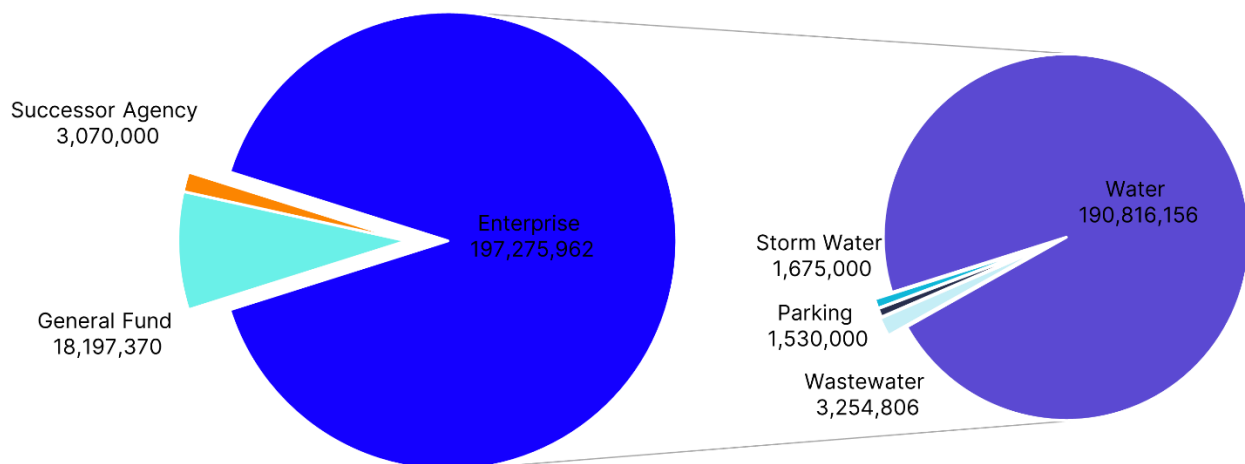
Overview

The City of Santa Cruz debt service obligations include revenue bonds, general 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.
- *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 \$18,197,370 in the General Fund, \$3,070,000 in RDA Successor agency debt, and \$197,275,962 in the City's Enterprise funds for a total outstanding debt obligation of \$218,543,332 at the end of fiscal year 2025.



FY 2025 Debt Issues

The Parking Enterprise Fund is planning to issue revenue bonds to fund \$21.6M of the Library and Affordable Housing Project, as it includes a new parking structure.

FY 2026 Planned Debt

The Water Department continues to pursue low interest and no interest loans and grants to fund its infrastructure projects, including \$130M for a planned Facilities Improvement Project.

The Public Works and Finance Departments are currently exploring options to fund the West Cliff capital investment program projects related to the winter storms of 2023 and 2024, as the City must cover costs for these projects as it awaits federal reimbursement.

FY 2026 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

General Long-Term Debt	Purpose	Balance 6/30/24	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/25	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.	3,110,000	-	440,000	2,670,000	465,000	2,205,000
2012 Golf COP Refunding Loan Maturity: 5/1/2029	Refinanced 2004 COP 13. Original issue was for golf course improvements.	1,067,821	-	199,007	868,814	206,033	868,814
2015 I-Bank Arterial Streets and Roads Loan Maturity: 8/1/2024	For City-wide road improvements	1,524,530	-	1,524,530	-	-	-
2017 Refunding Lease Revenue Bonds 2007 Bond Rating: AA	Refinanced 2007 LRB's. Original issue was for land and building	4,040,000	-	210,000	3,830,000	215,000	3,615,000

General Long-Term Debt	Purpose	Balance 6/30/24	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/25	Due Within 1 Year	Due in More Than 1 Year
Maturity: 11/1/2037	improvements for the library and water departments.						
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.	1,520,000	-	165,000	1,355,000	175,000	1,180,000
2018 California Energy Commission Loan Maturity: 12/22/2033	For comprehensive energy efficiency retrofit project	936,244	-	85,004	851,240	85,856	765,384
2020 PG&E Loan - Interest Free (155 Center) Maturity: 4/1/2025	Lighting upgrades at the Police Department headquarters.	11,190	-	11,190	-	-	-
2020 PG&E Loan - Interest Free (Branciforte) Maturity: 11/1/2024	Lighting upgrades at DeLaveaga Park	6,966	-	6,966	-	-	-
2020 PG&E Loan - Interest Free (119 Center) Maturity: 3/1/2030	Lighting upgrades at Depot Park	47,991	-	8,346	39,645	8,346	31,298
2023 California Energy Commission Loan Maturity: 12/22/2042	Civic roof restoration, solar panels & boiler controls, HW ballfield lights retrofit, HW pool solar panels, Soquel/Front solar panels.	2,307,629	-	121,302	2,186,327	122,518	2,125,251
2023 Banc of America Maturity: 12/1/2042	Offset 2023 CEC loan projects	3,625,000		96,000	3,529,000	104,000	3,408,000
Total General Long-Term Debt		18,197,371	-	2,867,345	15,322,025	1,381,753	14,198,747

Enterprise Debt- Water

Water Enterprise Liabilities	Purpose	Balance 6/30/24	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/25	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	6,810,000	-	475,000	6,335,000	490,000	5,845,000
2016 I-Bank Water Infrastructure Loan Maturity: 8/1/2046	For City-wide improvements to the water system	21,099,395	-	631,747	20,647,648	652,216	19,815,432
2019 Water Revenue Bonds Bond Rating: AA- Maturity: 3/1/2049	For City-wide improvements to the water system and to repay the	19,410,000	-	405,000	19,005,000	425,000	18,580,000

	<i>outstanding bank loan.</i>						
2020 Water Resources Loan- Newell Creek Inlet Maturity: 10/1/2052	<i>For the Newell Creek Inlet-Outlet Replacement project.</i>	100,607,186	-	2,836,387	97,770,799	-	97,770,799
2021 Water Fund BofA Commercial Loan Maturity: 6/14/2024	<i>For water related projects</i>	16,130,892	130,892	-	16,261,784	-	16,261,784
2021 Water Resources Loan- Graham Hill Maturity: 4/30/2054	<i>Replacement of 4.5 miles of pipeline to Graham Hill Treatment Plant.</i>	25,765,036	6,254,066	-	32,019,102	-	32,019,102
2023 WIFIA Loan Maturity: 5/1/2063	<i>For City-wide improvements to the water system</i>	19,897,146	15,478,935	-	35,376,081	-	35,376,081
Total Water Liabilities		209,719,655	21,863,893	4,348,134	227,235,414	1,567,216	225,668,198



Enterprise Debt- Wastewater

Wastewater Enterprise Liabilities	Purpose	Balance 6/30/24	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/25	Due Within 1 Year	Due in More Than 1 Year
2020 I-Bank Wastewater UV Loan Maturity: 8/1/2050	<i>Ultraviolet light disinfection system replacement project</i>	3,254,806	-	85,852	3,168,954	87,998	3,080,956
Total Wastewater Liabilities		3,254,806	-	85,852	3,168,954	87,998	3,080,956

Enterprise Debt- Parking

Parking Enterprise Liabilities	Purpose	Balance 6/30/23	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/24	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.	1,530,000	-	290,000	1,240,000	295,000	945,000
Total Parking Liabilities		1,530,000	-	290,000	1,240,000	295,000	945,000

Enterprise Debt- Stormwater

Storm Water Enterprise Liabilities	Purpose	Balance 6/30/24	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/25	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.	1,675,000	-	355,000	1,320,000	360,000	960,000
Total Storm Water Liabilities		1,675,000	-	345,000	1,675,000	355,000	1,320,000
Total Enterprise Funds Liabilities		216,329,803	21,863,893	5,229,328	232,964,368	2,310,214	230,654,154

Successor Agency Trust

Successor Agency Trust	Purpose	Balance 6/30/24	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/25	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.	2,190,000	-	230,000	1,960,000	230,000	1,730,000
2011 Housing TABS Series A Maturity: 10/1/2024	To fund housing related projects in the earthquake reconstruction project area.	880,000	-	880,000	-	-	-
Total Successor Agency Trust		3,070,000	-	1,110,000	1,960,000	230,000	1,730,000
Subtotal Debt Service Obligations		237,597,174	21,863,893	9,206,673	250,254,394	3,921,967	246,376,868

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	6/30/2024	390,892,025	530,587,992	139,695,967	73.7%	134,404,215
Safety employees	6/30/2024	236,124,817	331,550,390	95,425,573	71.2%	85,400,830
Total PERS Obligations		627,016,842	862,138,382	235,121,540	72.7%	579,684,037

Other Post-Employment Benefits (OPEB)	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Percentage of Assets	Prior Valuation Unfunded Liability
Total OPEB Obligations	3,907,542	41,491,326	37,583,784	9.4%	42,094,728
Subtotal Pension and OPEB Obligations	583,591,579	840,980,408	257,388,829	69.4%	159,405,842

Other Future Obligations without Annual Debt Service

Obligation Source	FY 2024 Budget Balance as of Reporting Date	FY 2025 Budget Balance as of Reporting Date
Compensated absences	2,388,200	2,224,604
Claims and judgments	13,448,965	14,414,148
Landfill closure	10,388,632	11,042,136
Total Future Debt Obligations	26,225,797	27,680,888

Summary of Total Obligations

Obligation Source	FY 2025 Budget Balance as of Reporting Date	Percentage of Total Debt	FY 2026 Budget Balance as of Reporting Date	Percentage of Total Debt
City-wide Debt before Pension	408,311,898	68.7%	398,042,101	58.3%
City-wide Unfunded Pension Liability	159,405,842	26.8%	257,388,829	37.7%
Other future debt obligations	26,225,797	4.4%	27,680,888	4.1%
TOTAL ALL CITY OBLIGATIONS	593,943,357		683,111,818	



