

DEBT

CITY DEBT SERVICE FUNDS

Debt Service Funds are used to administer the City's General Government and Assessment District debt obligations.

Budget at a Glance:

City Debt Service Fund	\$6,087,802
CFD & Assessment Districts	\$7,282,909
Administration	<u>\$427,745</u>
Total Expenditures	\$13,798,456
Total Revenues	\$13,804,138
Total Net Revenue	\$5,682

GENERAL FUND DEBT OBLIGATIONS

The City's General Fund secures a number of bonds and other debt obligations that are administered in the City's Debt Service Fund.

Lease Revenue Bonds 2006 Series A – Parking and Stewart-Eberhardt Building

The 2006 Lease Revenue Refunding Bonds Series A were issued in the amount of \$13,965,000 in March, 2006. The Bonds were issued to finance the acquisition and construction of the parking facility adjacent to the Essential Services Building (the Stewart-Eberhardt Building). The source for repayment is from the Parking Authority Fund revenues. The annual debt service payment and fees is budgeted at \$910,894.

Capital Lease – Civic Auditorium HVAC System

On December 15, 2009, the City Council approved the execution of a Lease Purchase Agreement with Wells Fargo Securities, LLC to provide financing for the replacement of the Heating, Ventilation and Air Conditioning (HVAC) system for the Stockton Memorial Civic Auditorium. The lease is in the amount of \$1,930,000 and the sources for repayment are savings from reductions in utility costs to operate the HVAC system and from the City's General Fund. The annual debt service payment for the lease is budgeted at \$248,779.

Assured Guaranty Settlement Repayment

Upon exit from bankruptcy in FY 2014-15, the City started paying on an agreement with the insurer that replaced payments formerly required on the following bonds:

- Pension Obligation Bonds 2007 Series A and B

The 2007 Taxable Pension Obligation Bonds, Series A and B were issued in the amount of \$125,310,000 in March 2007. The bonds were issued to refinance a portion of the City's unfunded actuarial liability with respect to retirement benefits accruing to its members of the California Public Employees' Retirement System.

- Lease Revenue Bonds 2007 Series A and B – City Administration Building

The 2007 bonds were issued in two series: Series A (Tax-Exempt) in the amount of \$36,500,000 and Series B (Taxable) in the amount of \$4,270,000 in September 2007. The bonds were issued to finance acquisition of property at 400 E. Main Street to be used as City Hall. Under the settlement agreement through the Plan, these bonds have been canceled, and the City has surrendered the property to the insurer. The City has entered into a separate lease to use portions of the building.

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The City's settlement agreement covers both bond series and was confirmed by the bankruptcy court effective February 25, 2015. The details of the modified agreement can be found in the City's Plan of Adjustment. The City's settlement agreement includes a series of payments to be made to the trustee. These payments are applied to the remaining bondholder debt service payments with the balance paid by the insurer. The City's settlement payment and fees under the modified reimbursement agreement with the insurer is budgeted at \$2,826,429.

This agreement also contains provisions that require the City to make "contingent revenue" payments to Assured Guaranty if core General Fund revenues (as defined in the settlement agreement) increase above those projected in the settlement agreement. The contingent payment due to be paid June 1, 2018 is to be determined May 2, 2018 and is budgeted at \$2,106,000.

INTERNAL SERVICE FUNDS DEBT SERVICE (*NOT INCLUDED IN BUDGET AT A GLANCE)

Capital Lease – Fire Vehicles (see page N-10)

On April 17, 2007, the City Council approved the execution of a Master Equipment/Lease Agreement with Banc of America Leasing and Capital, LLC to provide a tax-exempt financing mechanism and established the underlying financing tool for designated capital projects. The City authorized the purchase of an aerial fire truck and water rescue vehicle for the Fire Department amounting to \$1,000,000. The annual debt service payment for the lease is budgeted at \$88,455 in the Fleet Internal Service Fund.

Capital Lease - Fire Vehicles (see page N-10)

On January 24, 2012, the City Council approved a tax-exempt lease purchase agreement with Oshkosh Capital for the acquisition of four Pierce Fire Pumper vehicles. Subsequently, the City filed for Chapter 9 bankruptcy protection. On January 30, 2013, the US Bankruptcy Court approved an amended agreement with a cost of \$1,871,404 and delivery of the trucks occurred in the spring of 2013. The annual debt service payment for the lease is budgeted at \$213,300 in the Fleet Internal Service Fund.

Capital Lease – Fire Vehicles (see page N-10)

On May 19, 2015, the City Council authorized the purchase of three Fire Engines and one Ladder Truck partially financed by entering a purchase lease agreement with Western Alliance Bank. The lease agreement was finalized on August 2015 and the annual debt service payment is budgeted at \$253,877 in the Fleet Internal Service Fund.

Capital Lease – Fire Vehicles (see page N-10)

On February 7, 2017, the City Council authorized the purchase of two Fire Engines and one Ladder Truck partially financed by entering a purchase lease agreement with Western Alliance Bank. The lease agreement was finalized in April and the annual debt service payment is budgeted at \$227,295 in the Fleet Internal Service Fund.

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OTHER DEBT SERVICE BACKED BY GENERAL FUND (*NOT INCLUDED IN BUDGET AT A GLANCE)

Lease Revenue Bonds Series 2004 – Parking and Capital Projects (see page I-37)

The 2004 Revenue Bonds were issued in June 2004 in the amount of \$32,785,000 to finance the construction of two parking garages. Repayment of the bonds is financed by payments made from the City's Parking Authority. Pursuant to the City's bankruptcy, the Trustee (Wells Fargo Corporate Trust) took possessory interest of the two parking garages and a third that was pledged as collateral. Until the effective date of the bankruptcy agreement, the garages were operated for the benefit of the bond insurer and debt service payments were made by the bond insurer. Under the terms of the settlement agreement confirmed by the bankruptcy court effective February 25, 2015, the City transferred certain parking assets to the newly formed Stockton Parking Authority. Annual settlement payment and fees under the settlement agreement are budgeted at \$1,418,605 in the Parking Authority Fund.

COMMUNITY FACILITIES DISTRICTS AND ASSESSMENT DISTRICTS

Approximately 15 special districts have been formed throughout the City to finance improvements through the issuance of bonds. The types of improvements that have been financed include subdivision improvements, street lights, and parks. Assessments are levied and added to the tax rolls on properties within the various districts. These assessments provide the source of payment on the bonds. The annual debt service payment is budgeted at \$6,880,420 plus associated administrative costs of \$402,489 for a total budget of \$7,282,909.

SUCCESSOR AGENCY AND UTILITIES DEBT

Other City debt obligations secured by the Successor Agency and utility funds are listed in the following pages for informational purposes only. Debt service payments are included within the Successor Agency and Municipal Utilities fund budgets.

SUCCESSOR AGENCY

Successor Agency - 2016 Tax Allocation Refunding Bonds - Series A and B (see page L-8)

The Series A Bonds were issued in the amount of \$73,310,000 and the Taxable Series B Bonds were issued in the amount of \$30,010,000 in November 2016. The Bonds were issued to refund and defease the following obligations: 2003 Series A and B Certificates of Participation (Redevelopment Housing Projects); 2004 Revenue Bonds (Stockton Events Center-Arena Project); and the 2006 Series A and C (Housing and Redevelopment Projects). The source for repayment is Successor Agency property tax revenue that are pledged toward repayment of the bonds. The annual debt service payment and fees for the bonds is budgeted at \$8,160,316.

MUNICIPAL UTILITIES DEBT

California Statewide Community Development Authority Revenue Bonds Series 2002A (See page L-9)

The 2002 Series A Bonds were part of a pooled issuance totaling \$34,335,000 issued by the California Statewide Community Development Authority in April 2002. The City's portion of the overall issuance was \$14,280,000, which allowed the City to refund and defease the 1993 Certificates of Participation used to finance water system improvements. Net revenues of the Water Utility Fund are pledged towards repayment of the 2002A Bonds. The annual debt service payment and fees for the bonds is budgeted at \$1,113,633.

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Stockton Public Financing Authority Revenue Bonds Series 2005A (See page L-9)

The 2005 Series A Bonds were issued in the amount of \$24,230,000 in November 2005. The bonds were issued to finance various water system capital improvement projects. Net revenue for the Water Utility Fund are pledged towards repayment of the 2005A Bonds. The annual debt service payment and fees for the bonds is budgeted at \$1,299,313.

Stockton Public Financing Authority Revenue Bonds Series 2009B (See page L-9)

The 2009 Water Revenue Bonds, Series B (Taxable Build America Bonds, Delta Water Supply Project) were issued in the amount of \$154,550,000 in August 2009. The 2009B Bonds were issued to finance the design and construction of the first phase of the Delta Water Supply Project. The bonds are subordinate to the other bonds paid from the Water Utility Fund, meaning that net revenues remaining after semi-annual debt service payments on those other bonds are pledged towards repayment of the 2009B Bonds. The annual debt service payment and fees for the bonds is budgeted at \$15,649,813. This payment is offset by the Build America Bonds of \$3,853,013.

Stockton Public Financing Authority Revenue Bonds Series 2010A (See page L-9)

The 2010 Water Revenue Bonds, Series A were issued in the amount of \$55,000,000 in October 2010. The 2010A Bonds were issued for the design and construction of the final phase of the Delta Water Supply Project. The repayment of the 2010A Bonds is from a pledge of net revenues of the Water Utility Fund. The annual debt service payment and fees for the bonds is budgeted at \$3,443,838.

Stockton Public Financing Authority Wastewater Revenue Refunding Bonds Series 2014 (See page L-10)

The 2014 Wastewater Revenue Bonds were issued in the amount of \$69,440,000 in November 2014 to refund and defease Certificates of Participation issued by the Utility in 1998 and 2003. These earlier debt issues financed various projects throughout the wastewater system. The repayment of the 2014 Bonds is from a pledge of net revenues of the Wastewater Fund. The annual debt service payment and fees for the bonds is budgeted at \$6,488,167.

OTHER DEBT SERVICE

Section 108 Loans (see page I-11)

The City has entered into four Section 108 loan guarantee agreements with the U.S. Department of Housing and Urban Development (HUD) to complete redevelopment projects. Repayment of the loans will be financed from Community Development Block Grant entitlement funds. The annual debt service payment for the loans is \$1,918,659.

City Debt Service Fund - 201
FY 2017-18 Adopted Budget

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
	<u>Actual</u>	<u>Actual</u>	<u>Projected</u>	<u>Adopted Budget</u>
Beginning Available Balance	\$ 2,502,157	\$ 2,961,461	\$ 2,998,849	\$ 1,599,246
Revenues				
Charges for Services	-	1,465,386	1,489,254	1,614,381
Insurance Proceeds	4,039,109	(15,031)	-	-
Other	5,915,000	-	-	-
Interest	(1,017)	22,226	-	-
	<u>9,953,092</u>	<u>1,472,581</u>	<u>1,489,254</u>	<u>1,614,381</u>
Expenditures				
Principal Payments	6,688,844	1,959,497	12,193,113	748,565
Interest Expense	2,404,528	1,623,479	2,340,842	3,233,237
Contingent Payment	-	-	-	2,106,000
Operating Expenses	6,304,542	72,088	4,300	4,300
Administration & Overhead	609,703	535,670	729,154	769,445
Cost Reimbursed	(410,805)	(337,400)	(394,000)	(346,000)
	<u>15,596,812</u>	<u>3,853,334</u>	<u>14,873,409</u>	<u>6,515,547</u>
Transfers				
Transfer In - General Fund	1,407,946	1,420,238	1,443,873	3,991,954
Transfer In - Other	4,695,078	997,903	10,540,679	914,894
Transfer Out	-	-	-	-
	<u>6,103,024</u>	<u>2,418,141</u>	<u>11,984,552</u>	<u>4,906,848</u>
Net Annual Activity	<u>459,304</u>	<u>37,388</u>	<u>(1,399,603)</u>	<u>5,682</u>
Ending Available Balance	<u>\$ 2,961,461</u>	<u>\$ 2,998,849</u>	<u>\$ 1,599,246</u>	<u>\$ 1,604,928</u>
Available Balance Calculation				
Current Assets		\$ 3,032,803		
Current Liabilities		(33,954)		
Ending Available Balance		<u>\$ 2,998,849</u>		

**City Debt Service Funds
FY 2017-18 Adopted Budget**

	<u>Debt and Cash Administration 201</u>	<u>Lease Revenue 2006 Series A 201</u>	<u>Capital Lease 201</u>	<u>Assured Guaranty Repayment 201</u>
Date Issued		4/6/2006		
Purpose		<u>Parking and Stewart-Eberhardt Building</u>	<u>Civic Auditorium HVAC System</u>	<u>Settlement Agreement</u>
Beginning Available Balance	\$ 113,992	\$ (4,000)	\$ -	\$ 1,489,254
Revenues				
Charges for Services	100,000	-	-	1,514,381
Assessments	-	-	-	-
	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>1,514,381</u>
Expenditures				
Principal	-	490,000	216,622	41,943
Interest	-	418,894	32,157	2,782,186
Contingent Payment	-	-	-	2,106,000
Administrative Costs	769,445	2,000	-	2,300
Other Debt Service Cost	-	-	-	-
Cost Reimbursed	(346,000)	-	-	-
	<u>423,445</u>	<u>910,894</u>	<u>248,779</u>	<u>4,932,429</u>
Transfers				
Transfer In - General Fund	300,000	-	248,779	3,443,175
Transfer In - Other	-	914,894	-	-
Transfer Out	-	-	-	-
	<u>300,000</u>	<u>914,894</u>	<u>248,779</u>	<u>3,443,175</u>
Net Annual Activity	<u>(23,445)</u>	<u>4,000</u>	<u>-</u>	<u>25,127</u>
Ending Available Balance	<u>\$ 90,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,514,381</u>

**City Debt Service Funds, Continued
FY 2017-18 Adopted Budget**

	City Debt Service Fund 201 Subtotal	CFD and 1915 Act Debt Service 250/701 Subtotal Various	Total
Date Issued			
Purpose		Assessment Districts	
Beginning Available Balance	\$ 1,599,246	\$ -	\$ 1,599,246
Revenues			
Charges for Services	1,614,381	-	1,614,381
Assessments	-	7,282,909	7,282,909
	1,614,381	7,282,909	8,897,290
Expenditures			
Principal	748,565	3,460,000	4,208,565
Interest	3,233,237	3,115,955	6,349,192
Contingent Payment	2,106,000	-	2,106,000
Administrative Costs	773,745	402,489	1,176,234
Other Debt Service Cost	-	304,465	304,465
Cost Reimbursed	(346,000)	-	(346,000)
	6,515,547	7,282,909	13,798,456
Transfers			
Transfer In - General Fund	3,991,954	-	3,991,954
Transfer In - Other	914,894	-	914,894
Transfer Out	-	-	-
	4,906,848	-	4,906,848
Net Annual Activity	5,682	-	5,682
Ending Available Balance	\$ 1,604,928	\$ -	\$ 1,604,928
		Revenues	\$ 8,897,290
		Transfers	4,906,848
		Total Sources	\$ 13,804,138
		Expenditures	\$ 13,798,456
		Transfers	-
		Total Appropriations	\$ 13,798,456

**Successor Agency Debt Service Fund - 231
FY 2017-18 Adopted Budget**

	<u>Revenue Bonds 2016A Series 231</u>	<u>Revenue Bonds 2016B Series 231</u>	<u>Total Debt Service 231</u>
Date Issued	<u>11/3/2016</u>	<u>11/3/2016</u>	
Purpose	<u>RDA Projects</u>	<u>Housing RDA Projects</u>	
Expenditures			
Principal	\$ -	\$ 4,195,000	\$ 4,195,000
Interest	3,373,800	582,516	3,956,316
Administration	4,500	4,500	9,000
	<u>3,378,300</u>	<u>4,782,016</u>	<u>8,160,316</u>
			-
Transfers			
Transfer In - Successor Agency	3,378,300	4,782,016	8,160,316
	<u>3,378,300</u>	<u>4,782,016</u>	<u>8,160,316</u>
Net Annual Activity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Water Debt Service Funds - 423
FY 2017-18 Adopted Budget**

	California Statewide			Stockton Public	
	Community Development Authority Revenue Bonds Series 2002A 423	Stockton Public Financing Authority Revenue Bonds Series 2005A 423		Stockton Public Financing Authority Revenue Bonds Series 2009B 423	Stockton Public Financing Authority Revenue Bond (2013 FR Conversion) Series 2010A 423
Date Issued	<u>5/7/2002</u>	<u>11/17/2005</u>		<u>8/11/2009</u>	<u>10/20/2010</u>
Purpose	<u>Water System Capital Improvements</u>	<u>Water System Capital Improvements</u>		<u>Delta Water Project</u>	<u>Delta Water Project</u>
Revenues					
Charges for Services	\$ -	\$ -		\$ -	\$ -
Build America Bonds	-	-	3,853,013	-	3,853,013
Other Revenue	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>3,853,013</u>	<u>-</u>	<u>3,853,013</u>
Expenditures					
Principal	840,000	150,000	3,835,000	130,000	4,955,000
Interest	270,063	1,147,313	11,811,813	3,311,838	16,541,027
Operating Expenses	3,570	2,000	3,000	2,000	10,570
Capital Projects	-	-	-	-	-
	<u>1,113,633</u>	<u>1,299,313</u>	<u>15,649,813</u>	<u>3,443,838</u>	<u>21,506,597</u>
Transfers					
Transfer In					
Water User Fees - 421	872,527	-	11,796,800	3,443,838	16,113,165
Water Connections Fees - 424	241,106	1,299,313	-	-	1,540,419
Delta Water Surface Fee - 425	-	-	-	-	-
Transfer Out					
Water Debt Service - 423	-	-	-	-	-
Water Capital Projects - 427	-	-	-	-	-
	<u>1,113,633</u>	<u>1,299,313</u>	<u>11,796,800</u>	<u>3,443,838</u>	<u>17,653,584</u>
Net Annual Activity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Wastewater Debt Service Funds - 433
FY 2017-18 Adopted Budget**

	Stockton Public Financing Authority Wastewater Revenue Refunding Bonds Series 2014 433
Date Issued	<u>10/22/2014</u>
Purpose	<u>Wastewater Projects</u>
Expenditures	
Principal	\$ 3,490,000
Interest	2,995,667
Disclosure fees	2,500
	<u>6,488,167</u>
Transfers	
Transfer In	-
Wastewater User Fees - 431	3,050,763
Wastewater Connection Fees Capital Projects - 434	3,437,404
	<u>6,488,167</u>
Net Annual Activity	<u>\$ -</u>