

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:

Total Revenues	\$10,822,134
City Debt Service Fund	\$3,401,130
CFD & Assessment Districts	\$7,259,963
Administration	<u>\$294,959</u>
Total Expenditures	\$10,956,052
Total Net Cost	\$133,918

As part of its efforts to support the City Council strategic goal of fiscal sustainability, the Administrative Services Department has concentrated on refunding most of the City's debt portfolio to take advantage of historically low interest rates and to save Stockton's taxpayers and ratepayers millions of dollars.

GENERAL FUND DEBT OBLIGATIONS

The City's General Fund secures the Assured Guaranty settlement and one fire truck lease. Other debt is administered in the City's Debt Service Fund or in individual budgets as described below.

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 the acquisition of property at 400 East Main Street which the City planned to use as City Hall. The Plan of Adjustment and its accompanying settlement agreement canceled the bonds, and the City surrendered the property to the insurer. The City entered into a separate lease to use portions of the building.

The City's settlement agreement covered both bond series and was confirmed by the bankruptcy court effective February 25, 2015. The City Plan of Adjustment contains the details of the modified agreement. The City's settlement agreement includes four series of payments to be made to the trustee. The first series of payments from restricted City funding sources began in 2014 and the second series of payments started in 2018. Contingent payments described below went into effect in 2018 and the fourth series of supplemental payments starts in 2023. These payments are applied to the remaining bondholder debt service payments with the balance paid by the

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insurer. The City's fixed settlement payment and fees under the modified reimbursement agreement with the insurer are budgeted at \$2,903,430 in FY 2020-21.

This amount does not include an estimated payment for a "contingent revenue" that is required, in addition to the fixed payment streams, to be made 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, 2021, is budgeted at \$500,000.

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

Capital Lease - Fire Vehicles (see page N-9)

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 U.S. 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.

The Fleet Internal Service Fund borrowed from the Workers' Compensation Internal Service Fund in FY 2018-19 to pay off three fire truck leases taken out in 2007, 2015, and 2017. This transaction also resulted in a savings of approximately \$300,000. The annual debt service payment is budgeted at \$530,482 in the Fleet Internal Service Fund.

COMMUNITY FACILITIES DISTRICTS AND ASSESSMENT DISTRICTS

Approximately 15 special districts have been formed throughout the City to finance improvements that support development through the issuance of bonds. The types of improvements the districts have financed include subdivision improvements, streetlights, and parks. Assessments are levied and added to the property tax roll on properties within the various districts and assessments provide the source of payment on the bonds. The annual debt service payment is budgeted at \$6,795,076 plus associated administrative costs of \$464,887, for a total budget of \$7,259,963.

SUCCESSOR AGENCY, PARKING AUTHORITY AND UTILITIES DEBT

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

SUCCESSOR AGENCY

Successor Agency - 2016 Tax Allocation Refunding Bonds - Series A and B (see page L-7)

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 is pledged toward repayment of the bonds. The annual debt service payment and fees for the bonds are budgeted at \$7,468,788.

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PARKING AUTHORITY

Parking Revenue Bonds Series 2020 – Parking and Capital Projects (see page I-39)

The 2020 Revenue Bonds were issued in February 2020 in the amount of \$24,355,000 to refinance the 2015 Bankruptcy settlement on bonds issued in 2004 that financed construction of two parking garages. In addition to paying off the Settlement, the 2020 Bonds also provided \$3,000,000 to address deferred capital maintenance and technology upgrades to existing facilities. The 2015 Settlement of the 2004 bonds removed the City's General Fund backing. The 2020 Bonds also have no General Fund backing and have a pledge of Net Revenues of the Parking Authority, which makes the payments toward the bonds. Annual payment and fees for the 2020 Revenue Bonds are budgeted at \$1,196,270 in the Parking Authority Fund.

The Parking Authority borrowed from the Workers' Compensation Internal Services Fund in FY 2018-19 to pay off the 2006 Essential Services Building Refunding Bonds. The annual debt service payment is budgeted at \$782,563 in the Parking Authority Fund.

MUNICIPAL UTILITIES DEBT

Stockton Public Financing Authority Revenue Bonds Series 2018A (See page L-8)

The 2018A Water Refunding Revenue Bonds, Series A were issued in the amount of \$145,220,000 in November 2018. The 2018A Bonds refunded bonds issued in 2002 (refinance of bonds issued in 1993), 2005 (financed numerous projects), and 2009 (financed a large portion of the Delta Water Supply Project). The repayment of the 2018A Bonds is from a pledge of net revenues of the Water Utility Fund. The annual debt service payment and fees for the bonds are budgeted at \$11,863,050.

Stockton Public Financing Authority Revenue Bonds Series 2019A (See page L-8)

The 2019 Water Revenue Bonds, Series A were issued in the amount of \$54,785,000 in November 2019. The 2019A Bonds were issued to refinance bonds previously issued for the design and construction of the final phase of the Delta Water Supply Project. The repayment of the 2019A Bonds is from a pledge of net revenues of the Water Utility Fund. The annual debt service payment and fees for the bonds are budgeted at \$2,429,436.

Stockton Public Financing Authority Wastewater Revenue Refunding Bonds Series 2014 (See page L-9)

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 are budgeted at \$6,494,875.

Stockton Public Financing Authority Wastewater Bond Anticipation Notes Series 2019 (See page L-9)

The 2019 Wastewater Bond Anticipation Notes Series were issued in the amount of \$118,510,000 in October 2019 to provide interim financing for improvements to the City's wastewater system, including improvements to the Regional Wastewater Control Facility. Repayment of the 2019 Notes is pledged from net revenues of the Wastewater Fund. The Notes are planned to be repaid through a combination of low-interest loans provided by the United States Environmental

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Protection Agency and the California Water Resources Control Board, and revenue bonds. The annual debt service payment and fees for the notes are budgeted at \$1,661,890.

OTHER DEBT SERVICE

Section 108 Loans (See page I-12)

The City entered into four Section 108 loan guarantee agreements with the U.S. Department of Housing and Urban Development to complete redevelopment projects. One has been paid off and of the remaining three, one had its rates re-priced in 2019, and the remaining two were refunded at lower rates in 2015. Loans will be repaid from Community Development Block Grant entitlement funds with an annual debt service payment of \$1,851,338 in FY 2020-21.

City Debt Service Fund - 201
FY 2020-21 Annual Budget

	<u>FY 2017-18 Actual</u>	<u>FY 2018-19 Actual</u>	<u>FY 2019-20 Projected</u>	<u>FY 2020-21 Budget</u>
Beginning Available Balance	\$ 1,549,904	\$ 1,553,479	\$ 1,743,260	\$ 1,826,270
Revenues				
Charges for Services	1,514,381	1,540,593	1,566,255	1,592,496
Other	10,000	131,508	85,260	132,500
Investment Proceeds	(1,568)	40,575	-	-
	<u>1,522,813</u>	<u>1,712,676</u>	<u>1,651,515</u>	<u>1,724,996</u>
Expenditures				
Principal Payments	748,565	9,961,771	99,423	130,569
Interest Expense	5,306,237	2,996,337	2,776,045	2,770,561
Contingent Payment	-	2,173,000	2,271,000	500,000
Operating Expenses	4,300	2,348	2,300	2,300
Administration & Overhead	649,547	592,649	558,912	608,659
Cost Reimbursed	(315,742)	(248,175)	(301,000)	(316,000)
	<u>6,392,907</u>	<u>15,477,930</u>	<u>5,406,680</u>	<u>3,696,089</u>
Transfers				
Transfer In - General Fund	4,873,669	5,053,930	3,838,175	1,837,175
Transfer In - Other	-	8,915,000	-	-
Transfer Out	-	-	-	-
	<u>4,873,669</u>	<u>13,968,930</u>	<u>3,838,175</u>	<u>1,837,175</u>
Net Annual Activity	<u>3,575</u>	<u>203,676</u>	<u>83,010</u>	<u>(133,918)</u>
Ending Available Balance	\$ 1,553,479	\$ 1,757,155	\$ 1,826,270	\$ 1,692,352
Available Balance Calculation				
Current Assets		\$ 1,793,982		
Current Liabilities		(50,722)		
Ending Available Balance		<u>\$ 1,743,260</u>		

**City Debt Service Funds
FY 2020-21 Annual Budget**

Date Issued Purpose	Debt and Cash Administration 201	Assured Guaranty Repayment 201	CFD and 1915 Act Debt Service 250s/701s Various	Total
		Settlement Agreement	Assessment Districts	
Beginning Available Balance	\$ 260,015	\$ 1,566,255	\$ -	\$ 1,826,270
Revenues				
Charges for Services	132,500	1,592,496	-	1,724,996
Assessments	-	-	7,259,963	7,259,963
	<u>132,500</u>	<u>1,592,496</u>	<u>7,259,963</u>	<u>8,984,959</u>
Expenditures				
Principal	-	130,569	3,201,000	3,331,569
Interest	-	2,770,561	3,096,467	5,867,028
Contingent Payment	-	500,000	-	500,000
Administrative Costs	608,659	2,300	464,887	1,075,846
Other Debt Service Cost	-	-	497,609	497,609
Cost Reimbursed	(316,000)	-	-	(316,000)
	<u>292,659</u>	<u>3,403,430</u>	<u>7,259,963</u>	<u>10,956,052</u>
Transfers				
Transfer In - General Fund	-	1,837,175	-	1,837,175
Transfer In - Other	-	-	-	-
Transfer Out	-	-	-	-
	<u>-</u>	<u>1,837,175</u>	<u>-</u>	<u>1,837,175</u>
Net Annual Activity	<u>(160,159)</u>	<u>26,241</u>	<u>-</u>	<u>(133,918)</u>
Ending Available Balance	\$ 99,856	\$ 1,592,496	\$ -	\$ 1,692,352
			Revenues	\$ 8,984,959
			Transfers	1,837,175
			Total Sources	<u>\$ 10,822,134</u>
			Expenditures	\$ 10,956,052
			Transfers	-
			Total Appropriations	<u>\$ 10,956,052</u>

**Successor Agency Debt Service Fund - 231
FY 2020-21 Annual Budget**

	Revenue Bonds 2016A Series 231	Revenue Bonds 2016B Series 231	Total Debt Service 231
Date Issued	<u>11/3/2016</u>	<u>11/3/2016</u>	
Purpose	<u>RDA Projects</u>	<u>Housing RDA Projects</u>	
Expenditures			
Principal	\$ -	\$ 3,685,000	\$ 3,685,000
Interest	3,373,800	399,988	3,773,788
Administration	5,000	5,000	10,000
	<u>3,378,800</u>	<u>4,089,988</u>	<u>7,468,788</u>
			-
Transfers			
Transfer In - Successor Agency	3,378,800	4,089,988	7,468,788
	<u>3,378,800</u>	<u>4,089,988</u>	<u>7,468,788</u>
Net Annual Activity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Water Debt Service Funds - 423
FY 2020-21 Annual Budget**

	Stockton Public Financing Authority Revenue Bonds Series 2018A 423	Stockton Public Financing Authority Revenue Bonds Series 2019A 423	Total Water Debt Service
Date Issued	<u>11/20/2018</u>	<u>11/1/2019</u>	
Purpose	<u>Delta Water Supply Project</u>	<u>Delta Water Supply Project</u>	
Revenues			
Charges for Services	\$ -	\$ -	\$ -
Build America Bonds	-	-	-
Other Revenue	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Principal	5,090,000	540,000	5,630,000
Interest	6,770,050	1,885,436	8,655,486
Operating Expenses	3,000	4,000	7,000
Capital Projects	-	-	-
	<u>11,863,050</u>	<u>2,429,436</u>	<u>14,292,486</u>
Transfers			
Transfer In			
Water User Fees - 421	10,580,133	2,429,436	13,009,569
Water Connections Fees - 424	1,282,917	-	1,282,917
Delta Water Surface Fee - 425	-	-	-
Transfer Out			
Water Debt Service - 423	-	-	-
Water Capital Projects - 427	-	-	-
	<u>11,863,050</u>	<u>2,429,436</u>	<u>14,292,486</u>
Net Annual Activity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Wastewater Debt Service Funds - 433
FY 2020-21 Annual Budget**

	Stockton Public Financing Authority Wastewater Revenue Refunding Bonds Series 2014 433	Stockton Public Financing Authority Wastewater Bond Anticipation Notes Series 2019 433	Total Wastewater Debt Service
Date Issued	10/22/2014	10/1/2019	
Purpose	Wastewater Projects	Wastewater Projects	
Expenditures			
Principal	\$ 3,995,000	\$ -	\$ 3,995,000
Interest	2,497,375	1,659,140	4,156,515
Disclosure fees	2,500	2,750	5,250
	6,494,875	1,661,890	8,156,765
Transfers			
Transfer In	-	-	-
Wastewater User Fees - 431	3,050,095	1,661,890	4,711,985
Wastewater Connection Fees Capital Projects - 434	3,444,780	-	3,444,780
	6,494,875	1,661,890	8,156,765
Net Annual Activity	\$ -	\$ -	\$ -