

# DEBT SERVICE

From time-to-time, the City borrows money to provide up-front financing for facilities that are needed prior to when actual cash would otherwise be available. Typically, such borrowing is used for major capital facility acquisition or construction where an identifiable future revenue stream can be reasonably anticipated to be used for repayment. No current debt is backed by the City's General Fund.

In general, the City has employed six types of debt mechanisms for securing revenue for major expenditures. Each is briefly described below, followed by the Debt Service Summary Table which provides additional information about each specific debt.

## **Mello-Roos**

The Mello-Roos Community Facilities Act enables local agencies to create special financing districts to help pay for certain types of public facilities. Sitting as the Public Facilities Financing Authority, the city has created and oversees six community facilities districts, which collectively provide the means for financing major citywide infrastructure improvements. Debt issued under this mechanism is secured and repaid by special taxes levied on private property within each district. The full faith and credit of the City does not back such debt, rather, failure to pay such debt can result in foreclosure proceedings and sale of property to recover tax obligations.

## **Certificates of Participation**

Certificates of Participation (COPs) provide a financing technique that relies on a local government's authority to acquire and dispose of property. COPs are essentially long-term lease-to-buy arrangements that afford local governments the opportunity to finance capital improvements including land, buildings and other equipment from existing revenue sources. Davis retired its last COPS (ABAG 34) during the 2012/13 fiscal year.

## **Redevelopment Tax Allocation Bonds**

Redevelopment agencies (RDA) were created to be in debt. RDA's pledged future property tax increment growth for debt repayment that was issued to finance projects aimed at the elimination of blight within the Redevelopment project area. However, the adopted State Budget for FY 2011/12 included a trailer bill (AB1X 26) which dissolves all redevelopment agencies in existence and designates successor agencies and oversight boards to satisfy enforceable obligations and administer dissolution of the former redevelopment agencies.

## **Assessment Districts**

The City has employed assessment districts in the past to pay for specific area improvements such as infrastructure for the University Research Park. Bonds are issued to provide cash up front and are repaid with special assessments imposed on properties receiving specific benefit from such improvements.

## **Loans**

Simply an alternative way to borrow money, the City has benefited from a number of low-interest loans made available by the state for specified infrastructure improvements for water and sewer facilities. Such loans afford the City access to money at much lower interest rates than would be possible through conventional techniques such as revenue bonds. Such savings are passed along to residents in the form of lower utility rates.

## **Revenue Bonds**

Revenue bonds are municipal bonds that finance income-producing projects and are secured by a specified revenue source. Revenue bonds can be issued by any government or fund that is run in the manner of a business – those entities having both operating revenues and expenses.

Program	EXPENDITURES BY CATEGORY					FUNDING SOURCES					
	Salaries & Benefits	Operations & Maintenance	Inter-departmental Charges	Capital Outlay	Program Total	General Fund	General Fund Fees & Charges	General Fund Grants/Designated Revenue	Total General Fund Support	Other Funds	Program Total
8824 - 2003 Public Finance Authority Bond	0	554,088	0	0	554,088	0	0	0	0	554,088	554,088
8825 - 2007 CFD Mace Ranch I	0	1,211,150	0	0	1,211,150	0	0	0	0	1,211,150	1,211,150
8826 - 2007-2 Mace Ranch II	0	365,425	0	0	365,425	0	0	0	0	365,425	365,425
8827 - 2009 PFFA Bond	0	440,431	0	0	440,431	0	0	0	0	440,431	440,431
8832 - SRF Loan #1 C-06-6006-110	0	293,852	17,222	0	311,074	0	0	0	0	311,074	311,074
8833 - SRF Loan #2 C-06-4360-110	0	690,636	17,221	0	707,857	0	0	0	0	707,857	707,857
8838 - Cal I-Bank Ciedb-B08-093	0	614,382	17,221	0	631,603	0	0	0	0	631,603	631,603
8842 - Wells Fargo Water Bonds	0	1,654,716	17,221	0	1,671,937	0	0	0	0	1,671,937	1,671,937
8858 - University Research Park Assessment District	0	183,040	0	0	183,040	0	0	0	0	183,040	183,040
8860 - Interfund Loan - Sewer Fund	0	60,571	17,221	0	77,792	0	0	0	0	77,792	77,792
8861 - Interfund Loan - Drainage Fund	0	60,571	17,221	0	77,792	0	0	0	0	77,792	77,792
8863 - Interfund Loan From Sewer	0	193,178	17,221	0	210,399	0	0	0	0	210,399	210,399
<b>Total DEBT SERVICE/SPECIAL ASSESSMENT BUDGET</b>	<b>0</b>	<b>6,322,040</b>	<b>120,548</b>	<b>0</b>	<b>6,442,588</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,442,588</b>	<b>6,442,588</b>

DEBT SERVICE

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The following table summarizes the current outstanding debt issues that the City manages. Immediately following is the budget detail for these debt service funds.

**Debt Service Summary Table**

Program Name	2011-12 Actual	2012-13 Actual	2013-14 Adjusted	2014-15 Adopted
<b>CITY OF DAVIS DEBT</b>				
8821 ABAG Certificates	956,465	(48)	-	-
8824 2003 Public Finance Authority Bond	556,728	554,532	559,508	554,088
8825 2007 CFD Mace Ranch I	1,246,130	1,209,906	1,209,775	1,211,150
8826 CFD 2007-2 Mace Ranch II	371,939	364,625	365,238	365,425
8827 2009 PFFA Bond	438,639	437,927	435,431	440,431
8832 SRF Loan #1	338,002	303,541	303,780	311,074
8833 SRF Loan #2	841,666	702,764	695,843	707,857
8834 WWTP Expansion - LaSalle	1,347,828	8,061	-	-
8835 Water Meter Retrofit	163,518	-	-	-
8836 Water Storage Tank	363,173	325,231	2,986,658	-
8838 Cal I-Bank CIEDB-B08-093	740,061	788,343	624,443	631,603
8840 Wells Fargo - Water Line of Credit	86,953	152,598	12,024,835	-
8842 Wells Fargo - Water Bonds	-	-	704,553	1,671,937
8858 Univ. Research Park Assessment District	181,971	185,596	181,360	183,040
8860 Interfund Loan - Fleet Fund to Sewer Fund	59,597	60,603	60,811	77,792
8861 Interfund Loan - Flee Fund to Drainage Fund	62,603	64,058	65,806	77,792
8862 Motorola Lease/Purchase	205,658	-	-	-
8863 Interfund Loan - Sewer Fund to Water Fund	-	-	40,452	210,399
<b>TOTAL RESOURCES REQUIRED</b>	<b>7,960,931</b>	<b>5,157,737</b>	<b>20,258,493</b>	<b>6,442,588</b>

\*The amounts above include direct payments and fiscal agent fees.

**Debt Service Highlights:**

The significant fluctuation from FY 2013/14 compared to prior year actuals and the FY 14/15 adopted budget are due to final payoff of two water fund loans. The Water Storage Tank and the Wells Fargo Water Line of Credit represented over \$15 million dollars in final payments in FY 13/14.

**DEBT SERVICE  
ADOPTED BUDGET 2014-2015  
SUMMARY OF EXPENDTURES**

Program	Name	Type	Outstanding Principal	Annual Debt Service (Principal & Interest)	Year of Final Payment	Final Interest Rate	Earliest Refinance	Call Premium	Source of Repayment	Use of Proceeds
8824	City of Davis Publc Facilities Financing Authority local agency revenue bonds - Series 2003	Mello-Roos	1,045,000	542,998	2015	5.000%	9/1/2015	102	Mello Roos special taxes	Refunding of Series 1995 local agency revenue bonds
8825	City of Davis Publc Facilities Financing Authority local agency revenue bonds - Series 2007	Mello-Roos	10,775,000	1,206,150	2025	5.000%	9/1/2015	102	Mello Roos special taxes	Refunding of Series 2000 local agency revenue bonds
8826	City of Davis Community Facilities District 2007-2	Mello-Roos	4,955,000	363,425	2037	5.250%	9/1/2015	102	Mello Roos special taxes	Refunding of Series 2000 local agency revenue bonds
8827	City of Davis Public Facilities Financing Authority local agency refunding bonds -- Series 2009	Mello-Roos	9,570,000	428,931	2029	5.000%	9/1/2019	102	Mello Roos special taxes	Refunding of Series 1999 local agency revenue bonds
8832	State Revolving Fund Loan	Loan	564,555	293,852	2015	2.700%	NA	NA	Drainage & Sewer funds	Wetlands acquisition and construction
8833	Wastewater treatment plant expansion loan	Loan	3,790,854	690,636	2019	2.600%	NA	NA	Sewer funds	Expansion and upgrade of wastewater treatment plant
8836	Water storage tank loan	Loan	0	0	2014	2.600%	NA	NA	Water fund surcharge	Construction of Wter Storage Tank
8838	State of CA Infrastructure (I-bank)	Loan	9,198,270	584,832	2038	4.000%	NA	NA	Water fund	Water storage tank
8840	Wells Fargo Line of Credit		0	0	2014	Variable	N/A	N/A	Water fund	Surface water project
8842	City of Davis Publc Facilities Financing Authority 2013 Water Revenue Bonds	Revenue Bond	30,000,000	845,000	2038	Variable	N/A	N/A	Water fund	Retire Wells Fargo Line of Credit and fund the surface water project construction
8858	University Research Park Assessment District	Assessmnt District	790,000	181,240	2017	6.400%	9/2/2005	103	Property owner assessmnts	University Research Park subdivision infrastructure
9181	2011 TAB Series A	RDA tax allocation bond	13,310,000	917,725	2036	7.000%	N/A	N/A	RDA property tax increment	Projects in the Redevelopment Area
9182	2011 Taxable TAB Series B	RDA taxable tax allocation bond	3,525,000	570,225	2022	8.000%	N/A	N/A	RDA property tax increment	Projects in the Redevelopment Area
9196	Redevelopment Agency for the City of Davis 2003 Tax Allocation refunding bonds	Redevelopment tax allocation bond	7,800,000	557,103	2033	5.000%	9/1/2011	102	RDA property tax increment	Refunding of Series 1994 tax allocation bonds
9197	Redevelopment Agency for the City of Davis 2007 Tax Allocation refunding bonds	Redevelopment tax allocation refunding bond	9,705,000	800,400	2030	4.250%	9/1/2016	102	RDA property tax increment	Refunding of RDA Series 2000 tax allocation bonds
9198	Redevelopment Agency for the City of Davis 2007 Taxable Housing Bonds	Redevelopment housing set-aside bond	7,555,000	575,528	2037	5.650%	9/1/2016	102	RDA housing set-aside	Increasing, improving, preserving the supply of low and moderate income housing