



## Legislation Text

---

File #: 22-028, Version: 1

---

Staff Report for Discussion on Debt Obligations

### SUMMARY AND RECOMMENDATION

Staff recommends that the Finance Committee (Committee) review the debt summary report. This report is for information only.

### BACKGROUND

This report provides the Committee and the community a comprehensive overview of the City's debt profile. The report also includes loans between City funds, debt obligations for special assessment districts, and debt obligations for the Successor Agency.

### DISCUSSION

#### *Overview*

The report summarizes the debt obligations by fund. It also provides the following relevant information:

- Original issuance amount;
- Date of issuance;
- Date of maturity;
- Fiscal year 2021-22 debt service payments (principal and interest);
- Principal balance as of December 31, 2021;
- Primary funding source; and
- Interest rate

Fiscal Year 2021-22 annual debt service payments total \$14.0 million. Of this amount, \$6.5 million is for General Fund debt. On December 31, 2021, the outstanding principal balance for all funds was \$122.3 million. Of this amount, \$45.5 million is related to General Fund debt. The report also includes a pie chart showing the debt amounts and percentages by fund type.

- General Fund (37%)

- Water Pollution Control Plant Fund (33%)
- Successor Agency Fund (former Redevelopment Agency) (23%)
- Shoreline Fund (5%)
- Community Development Block Grant Fund (1%)
- Cherrywood Special Assessment District Fund (1%)

The narrative regarding debt service requirements is also attached to the staff report. The narrative provides detailed information about the purpose of each debt issuance and debt service requirements in future years.

### ***Potential Refunding Opportunity***

At the June 2021 meeting, staff informed the Committee that we are working to evaluate a potential refunding opportunity for the loan with the State Water Resources Control Board (SWRCB). The SWRCB offers favorable interest rates if the City qualifies as a disadvantaged community. In early June 2021 Public Works submitted a formal request to the SWRCB to make a determination, and staff provided the requested financial information and other relevant information to the SWRCB for evaluation. A letter from the agency is expected this month. The letter will help us to decide the next steps. If the City does not qualify as a disadvantaged community, we will consider refinancing the debt through a private placement or a public sale.

### ***Summary***

Several General Fund debt obligations were issued as lease revenue bonds in which General Fund revenues are required to pay back the debt. In 2018, the City issued \$18.9 million in lease revenue bonds for the construction of certain capital projects. At the time, the debt was issued with an AA-rating.

## **ATTACHMENTS**

- Debt Summary Report
- Narrative Regarding Debt Service Requirements

**PREPARED BY:** Susan Hsieh, Finance Director