



City Council Report

915 I Street, 1st Floor

Sacramento, CA 95814

www.cityofsacramento.org

File ID: 2018-01641

March 27, 2018

Consent Item 03

Title: Fiscal Year 2017 Annual Debt Report

Location: Citywide

Recommendation: Receive and file.

Contact: Lisa Yang, Treasury Analyst, (916) 808-2267; Brian Wong, Debt Manager, (916) 808-5811; John Colville, City Treasurer, (916) 808-8297, Office of the City Treasurer

Presenter: None.

Attachments:

1-Description/Analysis

2-Fiscal Year 2017 Annual Debt Report

Description/Analysis

Issue Detail: The attached report has been prepared in an effort towards greater transparency for the City Council. The report covers Fiscal Year 2016-2017 and discusses the debt portfolio and activities undertaken and managed by the Debt Management Division of the City Treasurer's Office.

Policy Considerations: Not applicable.

Economic Impacts: Not applicable.

Environmental Considerations: Not applicable. This action is not a project that is subject to CEQA because it is an administrative activity that will not result in direct or indirect physical changes in the environment, and it relates to government fiscal activities that do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment. (CEQA Guidelines § 15378(a), (b)(2), (b)(4) and (b)(5).)

Sustainability: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: The acceptance of the report is consistent with the other activities undertaken by the City Treasurer's Office and reported by the City Treasurer.

Financial Considerations: Adoption of the Fiscal Year 2017 Annual Debt Report has no direct financial impacts or costs.

Local Business Enterprise (LBE): Not applicable.

FISCAL YEAR ENDED JUNE 30, 2017

CITY OF SACRAMENTO | TREASURER'S OFFICE

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ANNUAL DEBT REPORT



American River H Street Bridge

Prepared by:

Office of the City Treasurer
Debt Management Division

Disclaimer: The information contained herein has been included for general informational purposes only and has not been prepared with a view to informing an investment decision in any bonds issued by the City. The information contained herein has been obtained from sources believed to be reliable but is not guaranteed. No person should make any investment decision in reliance upon the information contained herein. The information herein is not intended to replace any information or consultation provided by a professional financial advisor. This is not a summary or a compilation of all information relevant to any particular financial transaction or issue of bonds, notes, or other obligations. It does not purport to include every item that may be relevant, nor does it purport to present full and fair disclosure with respect to any financial transaction or issue of bonds, notes, or other obligations related to the City within the meaning of applicable securities laws and regulations.

This document speaks only as of the date it was prepared, and developments, circumstances or the passage of time may make each such document inaccurate or incomplete as of the date of viewing. The City undertakes no obligation to update any information including the information on the City's website. Any information may be removed or updated at any time. The information, estimates, and expressions of opinion herein are subject to change without notice and the posting of information on the City's website does not imply that there has been no change in such information or the affairs of the City since the dated date of any information or report or date of posting such information.

Forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ materially from the projected results.



City of
SACRAMENTO
Office of the City Treasurer

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Introduction

Under the direction of the City Treasurer, the Debt Management Division (the “Division”) is responsible for the issuance and management of the majority of debt financings for the benefit of the City. The Division collaborates with different City departments and utilizes external consultants, as needed, to obtain the most cost-effective approach for the City’s financing needs, including publicly offered obligations for major capital projects, loans from various State of California departments, and direct placement of small equipment leases.

As of the end of Fiscal Year 2017, the Division manages a \$1.4 billion debt portfolio which includes lease revenue bonds payable from the City’s General Fund, other revenue bonds payable solely from specific enterprise fund revenues (such as water and wastewater), community facilities district bonds issued to provide infrastructure for specific new development, assessment district bonds to provide for street lighting [and utility undergrounding], redevelopment agency successor agency bonds which financed or refinanced capital improvements in specific “project areas”, loans from entities related to the State of California, and other short-term bank loans.

The Division is also responsible for post-issuance activities related to the City’s debt portfolio, which includes monitoring outstanding lease or bond issuances for refinancing opportunities to save the City or participating funds money or lower taxes for property owners; performing, coordinating, and monitoring debt service payments; ensuring timely filing of annual continuing disclosure reports and event notices; responding to information requests from bondholders, investors, and credit rating agencies; and management of various responsibilities to ensure compliance with tax-exempt bond requirements. The Division also maintains the City’s Debt Management webpage, <http://www.cityofsacramento.org/CityTreasurer/DebtManagement>, to provide outreach to current and prospective investors on bond issuances, disclosures, and credit ratings.

The intention of this report is to provide a basic overview of the debt obligations of the City which are managed by the City Treasurer’s Office in an effort to allow for greater transparency for the City Council.

Fiscal Year 2016-17 Highlights

- The Division completed 82 continuing disclosure and regulatory reports to the California Debt & Investment Advisory Commission (the “CDIAC”) and the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website.
- The Division processed a total of about \$116 million in debt service payments.
- The Division completed a total of six arbitrage reports, all resulting in no arbitrage liability, and one “no arbitrage” opinion letter with the assistance of the arbitrage consultant.
- In August 2016, through a Request for Proposals, with the approval of Council, the Division on behalf of the City entered into a five-year term agreement with BLX Group LLC for all the City's arbitrage analysis needs.
- In September 2016, the Division in collaboration with Stradling Yocca Carlson & Rauth, P.C., the City’s Disclosure Counsel, provided training to City staff from the various departments who are involved in bond-related disclosures to assure the City’s continuing compliance with federal securities laws.
- In October 2016, the City issued the first new-money Mello-Roos Special Tax Bonds in North Natomas since the de facto moratorium in 2008 for Natomas Central Community Facilities District No. 2006-02, in the amount of \$20.03 million; the bond proceeds provided financing for the acquisition of certain public facilities and the funds to finance certain governmental fees.
- In December 2016, through an Request for Qualification, with the approval of the Council, the Division on behalf of the City established a five-year term pool of trustee services providers with the following firms: US Bank, MUFG Union Bank, Wilmington Trust, and Zions Bank.
- On February 7, 2017, the Division, with assistance by the City Attorney’s Office and external bond counsel, prepared a formal Debt Management Policy inclusive of a Supplemental Policy on Disclosure which was adopted by the City Council with the approval of Resolution No. 2017-0046 to comply with the requirements of Senate Bill 1029.
- In June 2017, the Division on behalf of the City oversaw the issuance of the Water Revenue Bonds, Series 2017 in the amount of \$52.61 million; the bond proceeds were used to finance the acquisition and installation of water meters as part of the City’s continued effort towards the Accelerated Meter Installation and Pipe Replacement Program.

Debt Portfolio

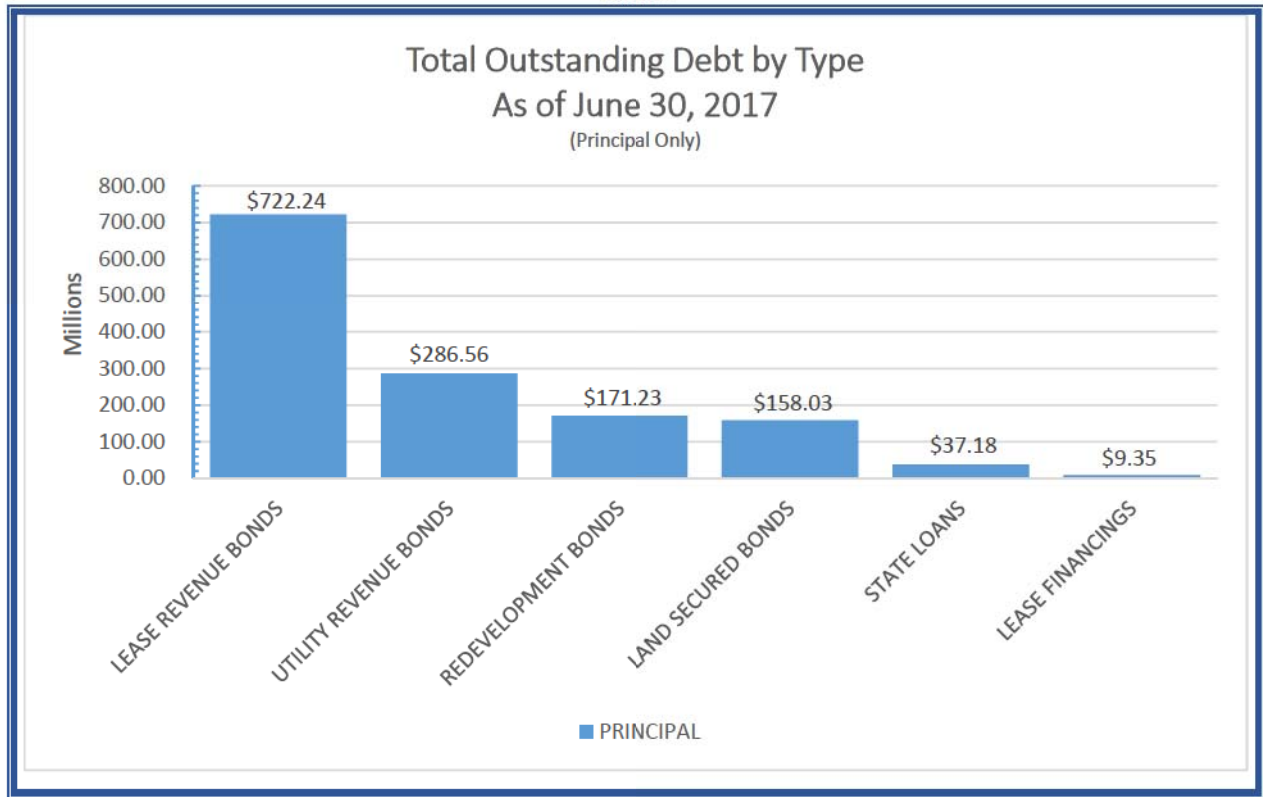
During the year the Division oversaw the issuance of \$72.6 million of “new money” principal debt. In the same period, the Division managed a reduction of \$117.6 million in total principal through scheduled debt service payments and partial optional redemptions of outstanding debt resulting in a net debt reduction of 1.7% or \$43.5 million as compared to the total principal balance at the beginning of Fiscal Year 2017. As of the end of Fiscal Year 2017, the total debt outstanding in principal was approximately \$1.38 billion, as illustrated in Table 1.

Table 1

Fiscal Year 2016-17 Change in Total Debt Outstanding (Principal Only)	
Beginning Total Outstanding Principal, as of July 1, 2016	\$1,428,137,067
Increases:	
New Money Bonds	72,640,000
Refinanced Bonds	1,460,000
Loans	0
Total Increases in Total Debt Service	74,100,000
Reductions:	
Bonds and Loans Paid/ Matured as Scheduled	116,012,002
Bonds Redeemed Prior to Maturity	175,000
Bonds Refinanced	1,460,000
Total Reductions in Total Debt Service	117,647,002
Net Increase (Decrease)	(43,547,002)
Ending Total Outstanding Principal, as of June 30, 2017	<u>\$ 1,384,590,065</u>

The total debt portfolio consists of six types of debt as shown in Table 2. Lease revenue bonds represents half of the debt portfolio at 52.1% of the total amount outstanding. Utility revenue bonds represent 20.7% and Redevelopment bonds represent 12.3% of the total amount outstanding. The debt type and purpose of each issuance is described in more detail in later sections.

Table 2

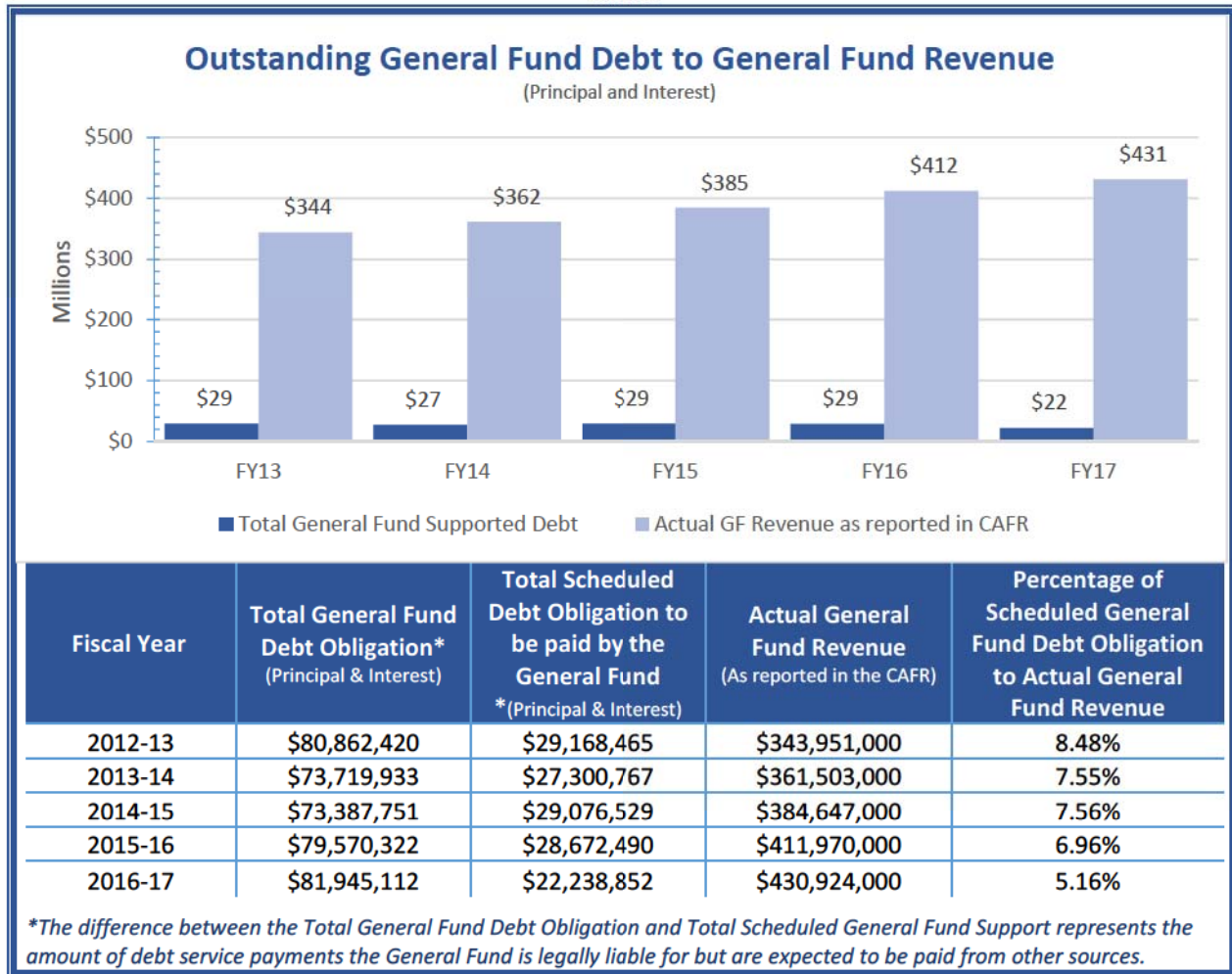


General Fund Obligations

The City does not have any voter-approved general fund debt that is backed by the full faith, credit and taxing power of the City. However, the leases securing the \$722.2 million in lease revenue bonds and \$9.3 million in lease financings are legally payable from the City's General Fund.

With respect to a portion of the City's lease revenue bonds, although the City's General Fund is ultimately liable for payments, the City uses other revenue sources to pay debt service. As illustrated in Table 3, the Fiscal Year 2017 total scheduled debt service payments on the lease revenue bonds and lease financings, inclusive of principal and interest, was about \$81.9 million. Of this amount, 27.1% or about \$22.2 million was scheduled to be paid directly by the City's General Fund. This amount (\$22.2 million) is 5.16% of the Fiscal Year 2017 actual general fund revenue of \$430.9 million. Compared to previous years, this is a decrease of 1.7% from 6.9% in Fiscal Year 2016 and 2.4% from 7.5% in Fiscal Year 2015.

Table 3



New Debt

There were two “new money” financings (the proceeds of which were used for new projects) completed in Fiscal Year 2017 totaling \$72.6 million. On October 27, 2016, the Natomas Central CFD No. 2006-02, Special Tax Bonds, Series 2016 was issued in the amount of \$20.03 million to finance the costs of acquisition and construction of approved public facilities and certain governmental fees required in connection with the development of the district.

The second bond issuance was on June 16, 2017, for the City’s Water System to finance a portion of the Accelerated Meter Installation and Pipe Replacement Program. The Water Revenue Bonds, Series 2017 was issued in the amount of \$52.6 million. The Water Revenue Bonds are payable solely from revenues of the City’s Water System. The Division worked with the Department of Utilities in performing feasibility analysis, planning, and developing financing options to support the infrastructure improvements of the

City's Water System. The issuance will allow for the completion of water meter acquisitions and installations citywide by December 2020 – four years ahead of the state mandate of January 1, 2025.

Refinanced Debt

As part of the City's financing activities related to the Golden 1 Center (G1C), on September 30, 2016, the North Natomas CFD No. 2, Series B Special Tax Bonds were issued in the amount of \$1.46 million to redeem North Natomas CFD 2, Series A Lease Component obligations issued in 1999. The transaction did not change the amount of debt outstanding or the final maturity date of the bonds. What did change was the shift of the payment obligation from the General Fund to the property owners of the district, resulting in annual average savings to the General Fund of \$250 thousand.



Redemptions


Most of the bonds in our debt portfolio include early redemption provisions allowing for partial or full redemption once certain conditions are met. In Fiscal Year 2017 the City utilized assessment payments to partially redeem \$10,000 of the Midtown Streetlighting Assessment District No. 2003-05 bonds, \$50,000 of the Tahoe Park West Street Lighting Assessment District No. 2003-06 bonds, and \$115,000 of the North Natomas CFD 2, Series A bonds. Correspondingly, interest payments through the final maturity of the bonds were reduced by \$49,000.

Ratings

This section contains certain limited information relating to the credit ratings on City obligations as of March 19, 2018. The ratings provided by each of the rating agencies reflect only the views of such organizations and an explanation of the significance of such ratings may only be obtained from the respective agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of

such rating agency, circumstances so warrant. Any such downward revisions or withdrawals of such ratings may have an adverse effect on the market price or marketability of the City's obligations. The City undertakes no responsibility to maintain any rating on the Bonds or to take any action, except as may be required by continuing disclosure undertakings relating to specific bond issues, in the event of a lowered rating, suspension or withdrawal. The rating in the following table are the City's "issuer ratings," which would be applicable to any City-wide voter-approved general obligation bonds. (As described herein, the City currently had no general obligation bonds outstanding.) Ratings on certain outstanding bonds issues are described in the following sections.

Table 4

		
AA-	Aa2	AA-
Issued 08/10/2015	Issued 03/14/2018	Issued 01/22/2018

Lease Revenue Bonds Payable from General Fund

As of June 30, 2017, Lease-Revenue Bonds which includes Master Lease Bonds accounted for about 52.1% of the City's total debt portfolio (see Table 2). The bonds are issued for various capital improvement projects and are secured by a lease-leaseback arrangement between the City and a public entity, such as a joint-powers authority. The general operating revenues are used to pay amounts owed under the lease, and the lease payments are in turn used to pay debt service on Lease-Revenue Bonds. As shown in Table 3, although the City's general fund is legally liable for the debt obligations, a significant portion of the debt is paid by non-general fund sources.

1. 1993 Lease Revenue Refunding Bonds, Series A & B

S&P/Moody's/Fitch Rating (as of March 19, 2018):

Series A - A+/A1/NR (Insurer Rating NR/A2/NR)

Series B - A+/Aa3/NR (Insurer Rating A+/NR/NR)

Bonds Issue Date: September 1993

Final Maturity Date: November 2020

Initial Principal Amount of Bonds: \$225,905,000

Aggregate Principal Amount Outstanding: \$55,345,000

Purpose: To refinance the outstanding principal of the 1986 Certificates of Participation bonds, 1989 Certificates of Participation bonds, and 1991 Revenue bonds. Collectively, the bonds financed various improvements including the acquisition of a local government financial

system, certain communications center equipment, equipment for a solid waste removal project, new systems and equipment related to the City's central library; and the construction of the Stockton Boulevard Community Library, Fire Station No. 5 and 11, Police Substation No. 1, Kinney Police Facility, City Hall Garage, renovation of the Memorial Auditorium, and expansion of the Convention Center.

2. 1997 Lease Revenue ARCO Arena,

S&P/Moody's/Fitch Rating (as of March 19, 2018): Not rated

Bonds Issue Date: July 1997

Mandatory Remarketing Date: July 2017

Initial Principal Amount of Bonds: \$73,725,000

Principal Amount Outstanding: \$32,733,000

Purpose: To finance the acquisition and lease-back of the Sleep Train Arena, formerly known as ARCO Arena. The bonds were structured for 30 years with 2 10-year mandatory tenders and remarketing of the outstanding bonds. The next mandatory tender and remarketing date was in July 2017.

3. 2015 Lease Revenue Bonds (Golden 1 Center bonds)

S&P/Moody's/Fitch Rating (as of March 19, 2018): A+/NR/A

Bonds Issue Date: September 2015

Final Maturity Date: April 2050

Initial Principal Amount of Bonds: \$272,870,000

Principal Amount Outstanding: \$272,870,000

Purpose: To finance the City's contribution toward the cost of construction of the multi-purpose entertainment and sports center, the Golden 1 Center in downtown Sacramento.

4. 2016 Refunding Revenue H Street

S&P/Moody's/Fitch Rating (as of March 19, 2018): Not rated

Bonds Issue Date: January 2016

Final Maturity Date: September 2032

Initial Principal Amount of Bonds: \$9,115,000

Principal Amount Outstanding: \$8,380,000

Purpose: To refinance the 2002 Certificates of Participation bonds issued in August 2002 to finance the construction and improvements of the H Street Theatre Complex. The City achieved about \$5.03 million in cash flow savings (or about \$1.56 million in net present value savings) through the issuance of the Bonds, which will benefit the California Musical Theater through reduced rental payments.

Master Lease Bonds

Master Lease Bonds are bonds secured through the City's Master Lease Program that is comprised of a pool of assets of various buildings, facilities, parks, and capital improvements. Through this program, the City is able to maximize useable assets as a mechanism to finance various public infrastructure and civic amenities projects.

1. 2006 Taxable Capital Improvement Revenue Bonds, Series B (Community Reinvestment Capital Improvement Program)

S&P/Moody's/Fitch Rating (as of March 19, 2018): A+/Aa3/NR (Insurer Rating NR/Aa3/NR)

Bonds Issue Date: June 2006

Final Maturity Date: December 2036

Initial Principal Amount of Bonds: \$55,235,000

Principal Amount Outstanding: \$45,865,000

Purpose: To finance the taxable components of the Community Reinvestment Capital Improvement Program projects identified and approved by Resolution No. 2006-366 which includes an Arts Rehearsal Space and Pocket Area Library among other capital projects within the City of Sacramento.

2. 2006 Refunding Revenue Bonds, Series E (Master Lease Program Facilities)

S&P/Moody's/Fitch Rating (as of March 19, 2018): A+/Aa3/NR (Insurer Rating NR/Aa3/NR)

Bonds Issue Date: December 2006

Final Maturity Date: December 2033

Initial Principal Amount of Bonds: \$186,950,000

Principal Amount Outstanding: \$173,080,000

Purpose: To refinance the 2001 Capital Improvement Revenue Bonds and portions of the 2002 and 2003 Capital Improvement Revenue Bonds. Collectively, the bonds financed the construction and improvements of the New City Hall, refurbishment of Historic City Hall, various improvements to the City's water system, golf courses, 911 Dispatch and Training Facility, North Area Corp Yard facility, North Natomas Library, North Natomas Regional Park, and the North Natomas Fire Station. At the time of refinancing in Fiscal Year 2007, the City achieved \$28.97 million in cash flow savings (or about \$15.53 million in net present value savings) on this refinancing.

3. 2015 Refunding Revenue Bonds (Master Lease Program Facilities)

S&P/Moody's/Fitch Rating (as of March 19, 2018): A+/Aa3/NR (Insurer Rating AA/NR/NR)

Bonds Issue Date: October 2015

Final Maturity Date: December 2036

Initial Principal Amount of Bonds: \$183,380,000

Principal Amount Outstanding: \$166,700,000

Purpose: To refinance the outstanding portions of the 2002 and 2003 Capital Improvement Revenue Bonds, 2005 Refunding Revenue Bonds, and the 2006 Capital Improvement Revenue Bonds Series A and Series C. The City achieved about \$29.74 million in cashflow savings (or about \$21.55 million in net present value savings).

Redevelopment Bonds

Tax Allocation Bonds, also known as “Redevelopment Bonds,” are secured by the tax allocation increment revenue derived from property taxes assessed on properties within the tax allocation district or project area(s) financed by the bonds. The City’s General Fund is not obligated to make any debt service payments. The bonds are issued to finance revitalization and redevelopment efforts. As developments increase within the financed project area, the taxable value of property increases as well. The incremental increase in tax revenue as a result of the incremental increase in the taxable value of property is the tax revenue used to pay the debt service of the bonds. Specifically, the incremental property tax revenue collected is deposited into the Redevelopment Property Tax Trust Fund which is then distributed by the State Department of Finance based on the Recognized Obligation Payments Schedules provided by the City’s role as the Redevelopment Agency Successor Agency.

1. 1993 Tax Allocation Bonds, Series B

S&P/Moody’s/Fitch Rating (as of March 19, 2018): Withdrawn

Bonds Issue Date: June 1993

Final Maturity Date: November 2017

Initial Principal Amount of Bonds: \$22,233,423

Principal Amount Outstanding: \$2,709,047

Purpose: To finance redevelopment activities within four project areas: (1) Merged Downtown Sacramento Redevelopment Project Area, (2) Alkali Flat Redevelopment Project Area, (3) Del Paso Heights Redevelopment Project Area, and (4) Oak Park Redevelopment Project Area.

2. 2003 Tax Allocation Bonds, Series A

S&P/Moody’s/Fitch Rating (as of March 19, 2018): A-/NR/NR (Insurer Rating A-/Baa2/NR)

Bonds Issue Date: December 2003

Final Maturity Date: December 2033

Initial Principal Amount of Bonds: \$33,695,588

Principal Amount Outstanding: \$2,525,588

Purpose: To finance the redevelopment plan for the Mather/McClellan Merged Project Area, created by the merger of the Mather Air Force Base Redevelopment Project and McClellan Air Force Base/Watt Avenue Redevelopment Project.

3. 2005 Tax Allocation Bonds, Series A

S&P/Moody’s/Fitch Rating (as of March 19, 2018): A-/NR/NR (Insurer Rating A-/Baa2/NR)

Bonds Issue Date: December 2005

Final Maturity Date: December 2034

Initial Principal Amount of Bonds: \$ 92,372,236

Principal Amount Outstanding: \$ 71,872,237

Purpose: To finance the Merged Downtown Sacramento Redevelopment Project, approved by Ordinance Nos 86-063 through 86-067, and the Oak Park Redevelopment Project, approved by Ordinance No. 3278.

4. 2015 Tax Allocation Refunding Bonds, Series A & B

S&P/Moody's/Fitch Rating (as of March 19, 2018):

Series A – A/NR/NR (Insurer Rating AA/NR/NR)

Series B – A/NR/NR (Insurer Rating AA/NR/NR)

Bonds Issue Date: October 2015

Final Maturity Date: December 2036

Initial Principal Amount of Bonds: \$104,050,000

Principal Amount Outstanding: \$94,125,000

Purpose: To refinance the outstanding and callable portions of redevelopment components in part or in full of 10 different bond issues, which resulted in cashflow savings of about \$12.40 million or net present value savings of \$9.88 million.

Other Redevelopment Debts

In addition to the redevelopment bonds are redevelopment loans from the Infrastructure State Revolving Fund ("SRF") issued by the California Infrastructure and Economic Development Bank. SRF Loans are attractive because the loans generally provide for interest rates that are lower than then-current market rates that may be obtained via the issuance of publicly issued bonds.

Table 5

Name	Issue Date	Final Maturity Date	Original Principal Amount (in thousands)	Principal Amount Outstanding (in thousands)	Purpose
California Infrastructure and Economic Development Bank					
2005 CIEDB Loan B05-065 (Stockton Blvd.)	Jun. 2006	Dec. 2035	\$3,476	\$2,632	To finance the Stockton Boulevard Streetscape Project.
2005 CIEDB Loan B05-063 (No. Sac.)	Dec. 2005	Dec. 2035	\$4,221	\$3,152	To finance the Del Paso Boulevard Streetscape Project
Sacramento Housing and Redevelopment Agency					
Globe Mills Promissory Note	Aug. 2005	Aug. 2026	\$4,675	\$3,560	To finance the Globe Mills Adaptive Reuse Project; the Globe Mills site is at 11 th and 12 th and C Street in the Alkali Flat area.
TOTAL			\$12,372	\$9,344	

Utility Revenue Bonds

As of June 30, 2017, outstanding utility revenue bonds represent about 21% of the debt portfolio, excluding any state revolving loans secured for similar purposes. Utility revenue bonds are secured exclusively by water or wastewater system revenues generated primarily by the utilities user fees; the City's General Fund has no obligation for the debt service payments.

1. Water Revenue Bonds, Series 2013

S&P/Moody's/Fitch Rating (as of March 19, 2018): AA/NA/AA-

Bonds Issue Date: March 2013

Final Maturity Date: September 2042

Initial Principal Amount of Bonds: \$215,195,000

Principal Amount Outstanding: \$204,230,000

Purpose: To finance the improvements and rehabilitation of the City's aging water system infrastructure under the Water Infrastructure Investment Program presented to Council on March 27, 2012.

2. Wastewater Revenue Bonds, Series 2013

S&P/Moody's/Fitch Rating (as of March 19, 2018): AA-/NA/AA

Bonds Issue Date: June 2013

Final Maturity Date: September 2042

Initial Principal Amount of Bonds: \$30,855,000

Principal Amount Outstanding: \$29,715,000

Purpose: To finance the primary project to improve and rehabilitate of the Sacramento River Water Treatment Plant and the secondary project to acquire and install water meters as part of the City's Accelerated Meter Installation and Pipe Replacement Program to meet the objective of all meters installed citywide by December 2020.

3. Water Revenue Bonds, Series 2017

S&P/Moody's/Fitch Rating (as of March 19, 2018): AA/NA/AA-

Bonds Issue Date: June 2017

Final Maturity Date: September 2047

Initial Principal Amount of Bonds: \$52,610,000

Principal Amount Outstanding: \$52,610,000

Purpose: To finance the acquisition and installation of water meters as part of the City's Accelerated Meter Installation and Pipe Replacement Program to meet the objective of all meters installed citywide by December 2020 – four years before the state mandate of January 1, 2025.

Other Utility Debts

Additional utility debts of the City are State Revolving Fund (“SRF”) Loans issued by various State Agencies. Similar to the utility bond debt, the loans listed in Table 6 are secured exclusively by one or a combination of water, wastewater, or storm drainage system user rate revenues.

Although the Division is aware of the loans listed in Table 6, the Division does not actively manage all aspect of the loans.

Table 6

Name	Issue Date	Final Maturity Date	Original Principal Amount (in thousands)	Principal Amount Outstanding (in thousands)	Purpose
California State Water Resources Control Board					
Clean Water SRF Loan Sump 2 Rehabilitation	Jul. 1999	Nov. 2020	\$37,016	The debt service was not managed by the Division in FY17	To finance various water, wastewater, and storm drainage projects within the City.
Clean Water SRF Loan Land Park Sewer Relief	May 2002	May 2021	\$2,603		
Clean Water SRF Loan UCD Medical Center Storage	Jul. 2001	Sep. 2019	\$5,177		
Clean Water SRF Loan Tahoe Park / Broadway Parallel Sewer	Feb. 2002	Feb. 2021	\$5,672		
Clean Water SRF Sump 1/1A/ Pioneer Reservoir	Sep. 1998	Mar. 2018	\$2,619		
California Infrastructure and Economic Development Bank (I-Bank)					
2005 B08-084 (65 th and Broadway)	May 2008	Aug 2037	\$2,975	\$2,371	To finance the Basin 31 detention basin at 65 th Street and Broadway Blvd.
California Department of Public Health					
Safe Drinking Water SRF American Recovery and Reinvestment Act of 2009 ("ARRA") Loan	Sep. 2009	Sep. 2032	\$10,000	\$8,162	To finance the Water Meter Retrofit (WMR) Project which consists of the retrofitting of 11-13k residential & commercial property meters and the installation of 1,735 meters on unmetered services in nine phases.
TOTAL			\$66,061		

Land-Secured Bonds

The City issues two types of land-secured bonds that are limited obligations of the City to finance the acquisition or construction of infrastructure facilities and other public improvements, as well as to pre-pay certain governmental fees, necessary to facilitate development within specified boundaries. The Bonds are payable solely from voter-approved assessments on properties within the respective districts. Neither the City's general fund nor any other City fund has any obligation to pay debt service. However, as issuer, the City is obligated for the administration of the debt including fund management, annual regulatory reporting, annual special tax assessments and delinquency and foreclosure management.

The special taxes and assessments related to the land secured bonds are calculated annually and are collected along with ad valorem property taxes by the County of Sacramento. Under the legal documents pursuant to which the tax allocation bonds were issued, the City is required to initiate foreclosure proceedings against properties with specified delinquency levels.

Assessment District (AD) Bonds

AD Bonds are tax-exempt debt issued under the Improvement Bond Act of 1915 (Streets & Highways Code Sections 8500 et. Seq.) for financing improvements such as streets or streetlights. The annual assessments levied against these properties are fixed based on an approved mathematical formula developed at the time of issuance that takes into consideration how much each property will benefit from the improvement derived from the bond-funded project.

As of June 30, 2017, there are four AD bonds with a combined outstanding principal total of \$4.6 million. They are as follows:

1. Midtown Street Lighting AD No. 2003-05

S&P/Moody's/Fitch Rating (as of March 19, 2018): NA/NA/NA

Neighborhood: Midtown

Bonds Issue Date: March 2004

Final Maturity Date: September 2019

Initial Principal Amount of Bonds: \$295,000

Principal Amount Outstanding: \$55,000

Purpose: To finance certain costs of construction and installation of a complete high-pressure sodium ornamental street lighting system together with all necessary appurtenances on various streets within the Midtown neighborhood.



A street light at the intersection of 25th Street and N Street.

2. **Reassessment District I No. 93-05, Florin Depot and Oates Industrial Parks**

S&P/Moody's/Fitch Rating (as of March 19, 2018): NA/NA/NA

Neighborhood: Florin Depot and Oates Industrial Parks

Bonds Issue Date: December 1993

Final Maturity Date: September 2018

Initial Principal Amount of Bonds: \$1,665,000

Principal Amount Outstanding: \$165,000

Purpose: To refinance a portion of the remaining principal of the Limited Obligation Improvement Bonds, Florin Depot Industrial Park AD issued in November 1987 and Oates Industrial Park AD issued in July 1989.

3. **Reassessment District II No. 2006-01 (Willowcreek II, AD No. 96-01 and North Natomas AD No. 88-03)**

S&P/Moody's/Fitch Rating (as of March 19, 2018): NA/NA/NA

Neighborhood: Willowcreek AD and North Natomas 88-03

Bonds Issue Date: May 2006

Final Maturity Date: September 2022

Initial Principal Amount of Bonds: \$19,025,000

Principal Amount Outstanding: \$4,385,000

Purpose: To refinance the remaining principal of the Limited Obligation Improvement Bonds, North Natomas AD No. 88-03 issued in April 1989 and Willowcreek II AD No. 96-01 issued in July 1997.

4. **Tahoe Park West Street Lighting AD No. 2003-06**

S&P/Moody's/Fitch Rating (as of March 19, 2018): NA/NA/NA

Neighborhood: Tahoe Park

Bonds Issue Date: April 2004

Final Maturity Date: September 2019

Initial Principal Amount of Bonds: \$548,161

Principal Amount Outstanding: \$50,000

Purpose: To finance a portion of the construction and installation of a complete high-pressure sodium ornamental street lighting system together with all necessary appurtenances on various streets in the Tahoe Park neighborhood.

Community Facilities District (CFD) Bonds

CFD bonds are tax-exempt debt issued under the Mello-Roos Community Facilities Act of 1982 (Government Code sections 53311 through 53368.3) by the City for financing the acquisition or construction of public improvements and allow for the pre-payment for certain governmental fees to accommodate the additional population and development demands generated by the new homes or commercial space being built within the CFD boundaries. The improvements and services must have a

useful life of five years or more and must benefit the CFD but do not need to be located within the CFD boundaries; improvements may include streets, water, sewage and drainage, infrastructure, and parks.

As of June 30, 2017, the total outstanding CFD bond debt is approximately \$153.3 million including two new CFD bonds issued during the Fiscal Year 2017. The CFD bond issues are noted below.

NEW:

1. Natomas Central CFD No. 2006-02, Series 2016

S&P/Moody's/Fitch Rating (as of March 19, 2018):

Not rated

Neighborhood: North Natomas (SW corner of El Centro and Del Paso Road)

Bonds Issue Date: October 2016

Final Maturity Date: September 2046

Initial Principal Amount of Bonds: \$20,030,000

Principal Amount Outstanding: \$20,030,000



A model home within the Natomas Central CFD.

2. North Natomas CFD No. 2, Series B

S&P/Moody's/Fitch Rating (as of March 19, 2018): Not rated

Neighborhood: North Natomas (a 100-acre parcel that is a part of the Sleep Train Arena lot)

Bonds Issue Date: September 2016

Final Maturity Date: September 2023

Initial Principal Amount of Bonds: \$1,460,000

Principal Amount Outstanding: \$1,460,000

Outstanding CFD bond issues prior to Fiscal Year 2017:

3. College Square CFD No. 2005-01, Series 2007

S&P/Moody's/Fitch Rating (as of March 19, 2018): Not rated

Neighborhood: College Square (Cosumnes River Blvd. and Stockton Blvd.)

Bonds Issue Date: October 2007

Final Maturity Date: September 2037

Initial Principal Amount of Bonds: \$11,465,000

Principal Amount Outstanding: \$10,970,000

4. Development Fee Financing CFD No. 95-01, Series C

S&P/Moody's/Fitch Rating (as of March 19, 2018): Not rated

Neighborhood: The district consists of five parcels located in the following areas of the City: Tahoe Park, Florin-Fruitridge Industrial Park, and Natomas.

Bonds Issue Date: January 2005

Final Maturity Date: September 2024

Initial Principal Amount of Bonds: \$5,300,000

Principal Amount Outstanding: \$2,635,000

5. Granite Park CFD No. 2001-01, Series A

S&P/Moody's/Fitch Rating (as of March 19, 2018): Not rated

Neighborhood: Industrial area of Granite Regional Park

Bonds Issue Date: June 2001

Final Maturity Date: September 2026

Initial Principal Amount of Bonds: \$8,860,000

Principal Amount Outstanding: \$1,720,000

6. North Natomas CFD No. 2, Series A (1999)

S&P/Moody's/Fitch Rating (as of March 19, 2018): Not rated

Neighborhood: North Natomas

Bonds Issue Date: January 1999

Final Maturity Date: September 2022

Initial Principal Amount of Bonds: \$7,905,000 (includes a lease component of \$2,910,000 of which \$1,460,000 was refinanced from a lease component to CFD special tax component in September 2016)

Principal Amount Outstanding: \$1,535,000

7. North Natomas CFD No. 4 Refunding, Series E (2013)

S&P/Moody's/Fitch Rating (as of March 19, 2018): Not rated

Neighborhood: North Natomas

Bonds Issue Date: July 2013

Final Maturity Date: September 2033

Initial Principal Amount of Bonds: \$46,075,000

Principal Amount Outstanding: \$42,640,000

8. North Natomas CFD No. 4 Refunding, Series F (2015)

S&P/Moody's/Fitch Rating (as of March 19, 2018): BBB+/NR/NR

Neighborhood: North Natomas

Bonds Issue Date: July 2015

Final Maturity Date: September 2033

Initial Principal Amount of Bonds: \$21,110,000

Principal Amount Outstanding: \$20,665,000

9. North Natomas Drainage CFD No. 97-01 Refunding, Series 2015

S&P/Moody's/Fitch Rating (as of March 19, 2018): BBB+/NR/NR

Neighborhood: North Natomas

Bonds Issue Date: June 2015

Final Maturity Date: September 2035

Initial Principal Amount of Bonds: \$24,325,000

Principal Amount Outstanding: \$23,645,000

10. North Natomas CFD No. 99-04 Refunding, Series C

S&P/Moody's/Fitch Rating (as of March 19, 2018): Not rated

Neighborhood: North Natomas

Bonds Issue Date: January 2016

Final Maturity Date: September 2034

Initial Principal Amount of Bonds: \$3,045,000

Principal Amount Outstanding: \$2,735,000

11. 2013 Special Tax Refunding Revenue Bonds (Westlake and Regency Park), Series A

S&P/Moody's/Fitch Rating (as of March 19, 2018): BBB+/NR/NR (Insurer Rating AA/A2/NR)

Neighborhood: North Natomas

Bonds Issue Date: July 2013

Final Maturity Date: September 2028

Initial Principal Amount of Bonds: \$23,525,000

Principal Amount Outstanding: \$18,730,000

12. McKinley Village CFD No. 2015-04

S&P/Moody's/Fitch Rating (as of March 19, 2018): Not rated

Neighborhood: East Sacramento

Bonds Issue Date: June 2016

Final Maturity Date: September 2046

Initial Principal Amount of Bonds: \$6,610,000

Principal Amount Outstanding: \$6,610,000

Other State Loans

Other loans of the City in which the Division is aware of but do not manage is listed in Table 7. The loans were secured by the berthing revenues of the City's Marina Enterprise Fund, and loan proceeds financed the expansion of the Sacramento Marina.

Table 7

Name	Issue Date	Final Maturity Date	Original Principal Amount (in thousands)	Principal Amount Outstanding
State Parks Division of Boating and Waterways				
Marina Loan 1	Jul. 2007	Pending loan modification	\$9,000	The debt service is not managed by the Division
Marina Loan 2	Nov. 1985	Aug. 2035	\$2,000	
Marina Loan 3	Sep. 1987	Aug. 2037	\$3,000	
Marina Loan 4	Mar. 1988	Aug. 2018	\$1,650	
Marina Loan 5	Feb. 1989	Aug. 2019	\$1,000	
Marina Loan 6	May 1999	Aug. 2018	\$1,380	
TOTAL			\$18,030	

Equipment Financings

The City generally utilizes lease-purchase financings for short-term tax-exempt financing of essential equipment, such as fleet vehicles and parking meters. The City has established master lease agreements with Banc of America Public Capital Corp and JP Morgan Chase for such financings as approved by Resolution No. 2012-332. The term of lease agreements is project specific, but generally are under \$10 million with a maturity of less than 15 years. The following table summarizes the current outstanding lease agreements. The City's General Fund is obligated to make the required lease payments.

Table 8

Name	Issue Date	Final Maturity Date	Original Principal Amount (in thousands)	Principal Amount Outstanding (in thousands)	Purpose
B of A Lease No. 13 (LNG Trailer)	Nov. 2009	Nov. 2019	\$247	\$72	To finance a Liquefied Natural Gas (LNG) mobile storage trailer located at 2812 Meadowview Rd.
B of A Lease No. 15 (Fire trucks)	Mar. 2010	Mar. 2020	\$4,551	\$1,579	To finance 5 Velocity 1500 GPM Pumpers and 2 105' Velocity HD Ladder Trucks at 5730 24th St, Bldg. I.
JPM Chase Fiscal Year 2013 Fleet Financing	Oct. 2012	Oct. 2017	\$2,818	\$289	To finance 82 various public safety and non-public safety fleet vehicles to be stationed throughout the City. See Schedule A-1 for equipment description.
JPM Chase 2012 Refunding	Dec. 2012	Jun. 2018	\$6,995	\$565	To refinance BofA Equipment Lease Schedule Nos. 7-12, which financed fire equipment, parking meter equipment, and solid waste refuse vehicles.
B of A Lease No. 18 (Parking Meters & AutoVu)	Dec. 2013	Dec. 2018	\$5,998	\$1,840	To finance Single Space Parking Meters including Smart Phone application and Solar Technology and AutoVu License Plate Recognition equipment and technology for various locations throughout the City.
B of A Lease No. 19 (PARCS)	Oct. 2015	Oct. 2020	\$3,999	\$2,830	To finance the improvements and upgrade of City's Parking Access and Revenue Control System (PARCS) at 5 City parking garages within the downtown area. The garages are (1) Capitol Garage, (2) City Hall Garage, (3) Old Sac Garage, (4) Tower Bridge Garage and (5) Memorial Garage.
B of A Lease No. 20 (Parking Elevators)	Feb. 2016	Feb. 2021	\$2,700	\$2,179	To finance the improvements and upgrade of parking garage elevators at the following garages: Capitol Garage, Old Sacramento Garage, and Tower Bridge Garage.
TOTAL			\$27,308	\$9,354	

Looking Ahead

By the authority of the City Council, the Division expects to continue to issue debt to provide funding for capital improvement and economic development needs; and if and when it is economically beneficial to the City, the Division will refinance existing debt pursuant to the Debt Management Policy approved by City Council in February 2017.

As of the completion of this report, the Division has completed four transactions and three currently in progress to be completed by the end of fiscal year 2018.