

## 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 employs five 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. The Pole Line Road overcrossing, Mace Boulevard interchange improvements, and new police station are examples of projects funded partially through this source. In addition, the city created a Mello-Roos district encompassing the Mace Ranch subdivision, which paid for the internal subdivision improvements (e.g., streets, water & sewer lines, greenbelts, etc.).

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 has two COPs which currently use construction tax and Quimby Act (subdivision park in-lieu) fees to make such lease payments. One looming issue will be the repayment of these COPs if construction tax and Quimby Act fees are not adequate for the task in the future.

### **Redevelopment Tax Allocation Bonds**

Redevelopment agencies (RDA) were created to be in debt. Through enabling legislation, RDA's pledge future property tax increment growth to the repayment of debt, which is issued to finance projects aimed at the elimination of blight within the Redevelopment project area.

### **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.

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

| Program | Name  | Type                              | Principal Amount | Average Annual Debt | Year of Final Payment | Source of Repayment                | Use of Proceeds   |
|---------|---|-----------------------------------|------------------|---------------------|-----------------------|------------------------------------|---|
| 8819    | City of Davis Public Facilities Financing Authority local agency revenue bonds -- Series 1997 A | Mello-Roos                        | 19,980,000       | 1,540,000           | 2025                  | Mello Roos special taxes           | Original Mace Ranch subdivision infrastructure  |
| 8820    | Hunt-Boyer COP  | Certificates of Participation     | 405,000          | 38,000              | 2015                  | Construction tax                   | Acquisition of Dresbach-Hunt-Boyer Mansion  |
| 8821    | ABAG COP  | Certificates of Participation     | 2,410,000        | 210,000             | 2016                  | Construction tax & Quimby Act fees | Acquisition of land for Playfields and Walnut Parks   |
| 8822    | City of Davis Public Facilities Financing Authority local agency revenue bonds -- Series 1999   | Mello-Roos                        | 9,785,000        | 555,200             | 2030                  | Mello Roos special taxes           | Mace Blvd. Interchange / Police Facility Covell widening - Baywood to Monarch Dave Pelz Bike Overcrossing |
| 8823    | City of Davis Public Facilities Financing Authority local agency revenue bonds -- Series 2000   | Mello-Roos                        | 9,640,000        | variable            | 2024                  | Mello Roos special taxes           | Refunding of RAMCO-owned portion of original Mace Ranch infrastructure                                    |
| 8824    | City of Davis Public Facilities Financing Authority local agency revenue bonds - Series 2003    | Mello-Roos                        | 5,355,000        | 556,165             | 2015                  | Mello Roos special taxes           | Refunding of Series 1995 local agency revenue bonds   |
| 8832    | State Revolving Fund Loan   | Loan                              | 4,900,000        | 352,500             | 2015                  | Drainage & Sewer funds             | Wetlands acquisition and construction   |
| 8833    | Wastewater treatment plant expansion loan   | Loan                              | 10,603,000       | 692,900             | 2019                  | Sewer funds                        | Expansion and upgrade of wastewater treatment plant   |
| 8834    | Installment sale with La Salle National Bank  | Loan                              | 2,500,000        | 103,800             | 2019                  | Sewer funds                        | Design & engineering for wastewater treatment plant expansion project                                     |
| 8835    | Water meter retrofit loan   | Loan                              | 4,485,000        | 378,400             | 2011                  | Water fund surcharge               | Installation of water meters citywide   |
| 8836    | Water storage tank loan   | Loan                              | 5,000,000        | 322,194             | 2024                  | Water fund surcharge               | Construction of Wter Storage Tank   |
| 8841    | Health & Justice Building   | Lease payment                     | NA               | 61,700              | 2009                  | Construction tax                   | Lease of space at County building on A Street   |
| 8852    | Parking Assessment District #3  | Assessment District               | 2,080,000        | 205,000             | 2009                  | Property owner assessments         | Construction of F Street parking garage   |
| 8858    | University Research Park Assessment District  | Assessment District               | 2,265,000        | 187,000             | 2017                  | Property owner assessments         | University Research Park subdivision infrastructure   |
| 8860    | Interfund Loan-Sewer  | Interfund Loan                    | 1,069,491        | 71,132              | 2023                  | Sewer funds                        | Land Acquisition  |
| 8861    | Interfund Loan-Drainage   | Interfund Loan                    | 1,069,491        | 71,132              | 2023                  | Drainage funds                     | Land Acquisition  |
| 9192    | Redevelopment Agency for the City of Davis Tax Allocation refunding bonds 1994                  | Redevelopment tax allocation bond | 7,975,000        | 625,000             | 2024                  | RDA property tax increment         | Pole Line Overcrossing / Richards Boulevard undercrossing design / Various street & signal improvements   |
| 9192    | RDA payment to Parking Assessment District #3   | Assessment District               | 1,377,000        | 135,000             | 2009                  | RDA property tax increment         | RDA's share of parking assessment district #3 payments  |
| 9194    | Redevelopment Agency for the City of Davis 2000 Tax Allocation refunding bonds                  | Redevelopment tax allocation bond | 13,000,000       | 890,384             | 2030                  | RDA property tax increment         | Mace Blvd. Interchange / Dave Peltz Bike Overcrossing / Various Redevelopment improvements                |
| 9196    | Redevelopment Agency for the City of Davis 2003 Tax Allocation refunding bonds                  | Redevelopment tax allocation bond | 9,265,000        | 618,370             | 2033                  | RDA property tax increment         | Refunding of Series 1994 tax allocation bonds   |

**DEBT SERVICE  
PRELIMINARY BUDGET 2004-2005  
SUMMARY OF EXPENDITURES**

| Program Name                                      | 2002-03<br>Actual | 2003-04<br>Budget | 2003-04<br>Estimate | 2004-05<br>Budget |
|---|-------------------|-------------------|---------------------|-------------------|
| 8818 1990 Public Finance Authority Bond           | 593,801           | 593,139           | 0                   | 0                 |
| 8819 Community Facilities Dist-Mace Ranch I       | 1,556,938         | 1,523,909         | 1,523,909           | 1,587,869         |
| 8820 Hunt-Boyer Certification of Participation    | 34,825            | 34,338            | 34,338              | 38,200            |
| 8821 ABAG Certificates of Participation           | 211,529           | 211,775           | 211,775             | 214,020           |
| 8822 1999 Public Finance Authority Bond           | 555,243           | 560,243           | 560,243             | 560,243           |
| 8823 Community Facilities Dist-Mace Ranch II      | 461,055           | 151,500           | 101,500             | 101,500           |
| 8824 2003 PFFA Bond                               | 0                 | 0                 | 92,532              | 545,795           |
| 8832 SRF #1                                       | 85,993            | 293,857           | 293,857             | 293,852           |
| 8833 SRF #2                                       | 244,030           | 690,651           | 690,651             | 691,030           |
| 8834 WWTP Expansion Bond                          | 121,662           | 217,658           | 217,658             | 205,658           |
| 8835 Water Meter Retrofit                         | 64,968            | 316,029           | 316,029             | 315,728           |
| 8836 Water Storage Tank Loan                      | 0                 | 0                 | 55,000              | 255,000           |
| 8841 County Health & Justice Building             | 61,690            | 61,691            | 61,691              | 61,691            |
| 8852 Parking Assessment District #3               | 200,403           | 209,115           | 209,115             | 205,493           |
| 8858 University Research Park Assessment District | 183,168           | 184,250           | 184,250             | 180,015           |
| 8860 Interfund Loan - Sewer                       | 0                 | 82,984            | 76,303              | 76,390            |
| 8861 Interfund Loan - Drainage                    | 0                 | 85,984            | 76,303              | 76,390            |
| 9192 1990 RDA Debt Service                        | 786,678           | 1,078,768         | 840,646             | 437,948           |
| 9194 2000 RDA Tax Allocation Bond                 | 730,041           | 738,938           | 738,938             | 735,469           |
| 9196 2003 TAB Refunding Bond                      | 0                 | 0                 | 140,029             | 458,336           |

