

## 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.

Debt Service

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	Type	Principal Amount	Average Annual Debt	Year of Final Payment	Source of Repayment	Use of Proceeds
8820	Hunt-Boyer COP	Certificates of Participation	405,000	38,000	2015	Impact Fees	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
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
8825	City of Davis Public Facilities Financing Authority special tax refunding bonds - Series 2007	Mello-Roos	14,115,000	1,212,292	2025	Mello Roos special taxes	Refunding of Series 2000 local agency revenue bonds
8826	City of Davis Community Facilities District 2007-2	Mello-Roos	5,510,000	366,908	2037	Mello Roos special taxes	Refunding of Series 2000 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 Water 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
8862	Motorola Equipment Lease-Purchase	Lease-purchase	1,200,000	205,659	2011	General Fund	Public Safety Radio Tower
9191	Interfund Loan-RDA	Interfund Loan	1,799,768	264,477	2023	RDA property tax increment	Operating Expense Advances
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
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
9197	Redevelopment Agency for the City of Davis 2007 Tax Allocation refunding bonds	Redevelopment tax allocation bond	12,140,000	795,144	2030	RDA property tax increment	Refunding of Series 2000 tax allocation bonds
9198	Redevelopment Agency for the City of Davis 2007 Taxable Housing Tax Allocation Bonds	Redevelopment tax allocation bond	8,675,000	582,718	2037	RDA 20% housing set-aside	Provision and improvement of low and moderate income housing

**DEBT SERVICE**  
**FINAL BUDGET 2008-2009**  
**SUMMARY OF EXPENDITURES**

Program Name	2005-06 Actual	2006-07 Actual	2007-08 Budget	2008-09 Budget
8819 Community Facility District-Mace Ranch I	1,537,080	1,531,905	17,490,690	-
8820 Hunt-Boyer Certificate of Participation	36,250	39,950	39,138	37,513
8821 ABAG Certificates	209,989	213,726	215,558	213,057
8822 1999 Public Finance Authority Bond	561,851	561,919	562,743	562,743
8823 Community Facility District-Mace Ranch II	307,542	247,610	189,500	-
8824 2003 Public Finance Authority Bond	557,920	549,970	555,983	558,058
8825 2007 CFD Mace Ranch I	-	396,766	443,629	1,144,829
8826 CFD 2007-2 Mace Ranch II	-	-	-	365,373
8832 SRF Loan #1	68,727	293,852	293,852	293,852
8833 SRF Loan #2	208,482	690,637	690,637	690,637
8834 WWTP Expansion - LaSalle	106,460	207,658	207,658	207,658
8835 Water Meter Retrofit	45,599	314,979	315,729	315,729
8836 Water Storage Tank	122,069	323,947	324,657	324,657
8841 County Healthy and Justice Building	61,690	61,690	61,691	61,691
8852 Parking Assessment District #3	204,791	200,183	205,018	204,038
8858 Univ. Research Park Assessment District	180,494	185,551	185,363	179,915
8860 Interfund Loan - Sewer Fund	24,942	86,784	76,197	85,234
8861 Interfund Loan - Drainage Fund	24,942	86,784	76,197	85,234
8862 Motorola Lease/Purchase	205,659	207,708	205,659	205,658
9191 RDA Interfund Loan	-	284,218	264,477	269,116
9192 RDA Debt Service	86,587	87,526	88,871	93,611
9194 2000 Tax Allocation Bond	732,735	909,697	12,756,274	-
9196 2003 Tax Allocation Bond	526,015	533,715	568,515	570,078
9197 2007 Tax Allocation Bond	-	346,741	1,024,806	1,040,673
9198 2007 Taxable Housing Bond	-	398,823	828,659	471,114
<b>TOTAL RESOURCES REQUIRED</b>	<b>5,809,824</b>	<b>8,762,339</b>	<b>37,671,501</b>	<b>7,980,468</b>

