

## 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

Debt Service

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
8862	Motorola Lease/Purchase	Loan	1,200,000	205,659	2011	General Fund	Acquisition of Public Safety Radio Tower
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  
FINAL BUDGET 2005-2006  
SUMMARY OF EXPENDITURES**

Program Name	2002-03 Actual	2003-04 Actual	2004-05 Budget	2005-06 Budget
8818 1990 Public Finance Authority Bond	593,801	0	0	0
8819 Community Facilities Dist-Mace Ranch I	1,556,938	1,545,281	1,587,869	1,587,869
8820 Hunt-Boyer Certification of Participation	34,825	38,850	38,200	38,200
8821 ABAG Certificates of Participation	211,529	211,381	214,020	214,020
8822 1999 Public Finance Authority Bond	555,243	561,452	560,243	560,243
8823 Community Facilities Dist-Mace Ranch II	461,055	69,429	101,500	101,500
8824 2003 PFFA Bond	0	5,950,328	545,795	545,795
8832 SRF #1	85,993	80,408	293,852	293,852
8833 SRF #2	244,030	232,609	691,030	691,030
8834 WWTP Expansion Bond	121,662	116,867	205,658	205,658
8835 Water Meter Retrofit	64,968	58,713	315,728	315,728
8836 Water Storage Tank Loan	0	77,436	255,000	255,000
8841 County Health & Justice Building	61,690	61,690	61,691	61,691
8852 Parking Assessment District #3	200,403	207,566	205,493	205,493
8858 University Research Park Assessment District	183,168	184,168	180,015	180,015
8860 Interfund Loan - Sewer	0	48,664	76,390	76,390
8861 Interfund Loan - Drainage	0	48,664	76,390	76,390
8862 Motorola Lease/Purchase	0	0	0	205,659
9192 1990 RDA Debt Service	786,678	529,195	437,948	437,948
9194 2000 RDA Tax Allocation Bond	730,041	731,688	735,469	735,469
9196 2003 TAB Refunding Bond	0	7,705,029	458,336	458,336
<b>TOTAL RESOURCES REQUIRED</b>	<b>5,892,024</b>	<b>18,459,418</b>	<b>7,040,627</b>	<b>7,246,286</b>

