

Debt Service and Pension Obligations

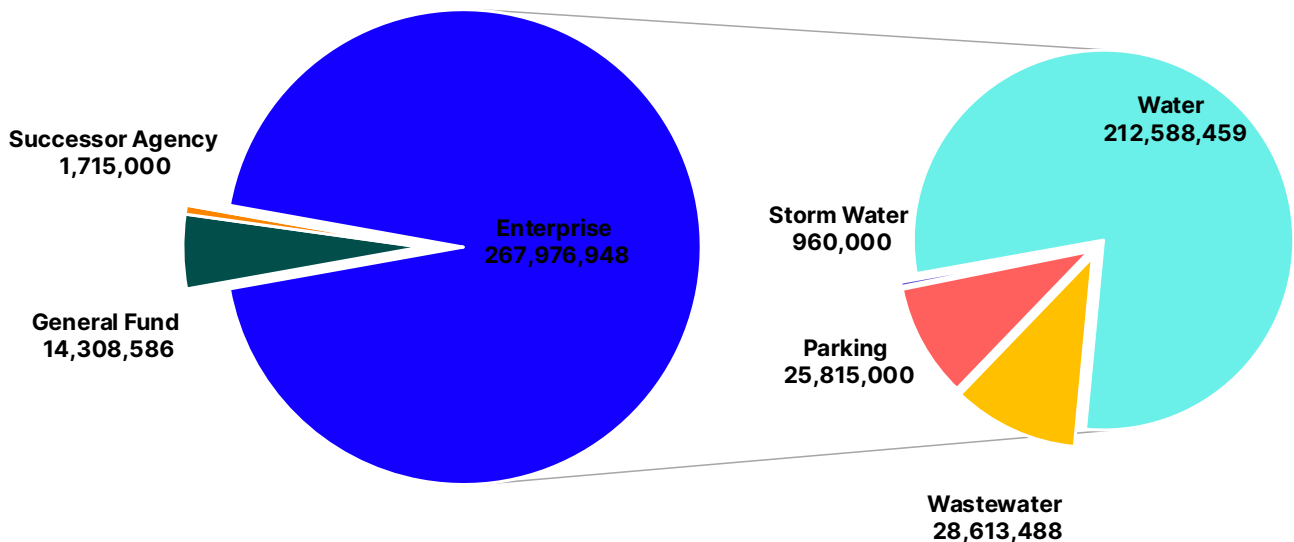
Overview

The City of Santa Cruz debt service obligations include revenue bonds, general obligation bonds, loans, leases, and former Santa Cruz Redevelopment Agency debt, transferred to the Successor Agency Trust (Resolution NS-28,450 dated January 24, 2012). Also included are the State of California Public Employees' Retirement System (PERS) and other post-employment benefits (OPEB) liabilities. All debt issuance is approved by the Santa Cruz City Council, subject to the City's legal debt limit.

- *Revenue Bonds* – issued to purchase or construct assets owned by the City and the City pledges income resulting from the asset or enterprise to pay the debt service.
- *General Obligation Bonds* – issued to finance various public improvements in the City for which the main security for repayment is property taxes.
- *Santa Cruz Redevelopment Successor Agency Debt* – debt issued to finance redevelopment activities in accordance with California Community Redevelopment Law. With the dissolution of Redevelopment Agencies, the principal source of debt repayment is from property tax revenues of the Successor Agency to the Redevelopment Agency.

Debt Status

The graph below estimates outstanding debt obligations, excluding pension, of \$14,308,586 in the General Fund, \$1,715,000 in RDA Successor agency debt, and \$267,976,948 in the City's Enterprise funds for a total outstanding debt obligation of \$284,000,534 at the end of fiscal year 2026.



FY 2026 Debt Issues

The Water Department is pursuing a low interest loan from the California State Water Resources Control Board Drinking Water State Revolving Fund (SFR) to provide funding for the Graham Hill Water Treatment Plant Facilities Improvement Project.

FY 2027 Planned Debt

The Water Department continues to pursue low interest and no interest loans and grants to fund its infrastructure projects.

The Public Works Department has been working on a funding application with the State Water Resources Control Board Clean Water State Revolving Fund for the Wastewater Treatment Facility Energy and Electrical Resiliency (WEER) project. The amount of the loan will be a maximum of \$50 million.

FY 2027 PERS and OPEB Liabilities

The City of Santa Cruz participates in PERS to provide pension benefits for past, current, and future employees. In addition, it provides modest, capped health retiree obligations as required by the CalPERS health program and as negotiated locally by City employees.

Debt Service Obligations- Summary of Changes in Long-Term Debt

General Long-Term Debt

General Long-Term Debt	Purpose	Balance 6/30/25	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/26	Due Within 1 Year	Due in More Than 1 Year
2009 General Obligation Refunding Bonds Bond Rating: AA+ Maturity: 9/1/2029	<i>Refinanced 1999 GO Bonds. Original issue was for acquisition of land for open space and construction of a community park, fire admin building and fire station upgrades.</i>	2,670,000	-	465,000	2,205,000	500,000	1,705,000
2012 Golf COP Refunding Loan Maturity: 5/1/2029	<i>Refinanced 2004 COP 13. Original issue was for golf course improvements.</i>	868,814	-	206,033	662,781	213,307	449,474

General Long-Term Debt	Purpose	Balance 6/30/25	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/26	Due Within 1 Year	Due in More Than 1 Year
2017 Refunding Lease Revenue Bonds 2007 Bond Rating: AA Maturity: 11/1/2037	<i>Refinanced 2007 LRB's. Original issue was for land and building improvements for the library and water departments.</i>	3,830,000	-	215,000	3,615,000	225,000	3,390,000
2017 Refunding Lease Revenue Bonds Series B Bond Rating: AA Maturity: 11/1/2031	<i>Refinanced 2010 Series B. Original issue was for Civic Center acquisition, construction & improvement.</i>	1,355,000	-	175,000	1,180,000	175,000	1,005,000
2018 California Energy Commission Loan Maturity: 12/22/2033	<i>For comprehensive energy efficiency retrofit project</i>	851,240	-	85,856	765,384	86,717	678,668
2020 PG&E Loan - Interest Free (119 Center) Maturity: 3/1/2030	<i>Lighting upgrades at Depot Park</i>	39,644	-	8,346	31,298	8,346	22,952
2023 California Energy Commission Loan Maturity: 12/22/2042	<i>Civic roof restoration, solar panels & boiler controls, HW ballfield lights retrofit, HW pool solar panels, Soquel/Front solar panels.</i>	2,424,224	-	96,101	2,328,123	122,380	2,205,746
2023 Site LogiQ BofA Municipal Loan	<i>Offset 2023 CEC loan projects</i>	3,625,000	-	104,000	3,521,000	113,000	3,408,000
Total General Long-Term Debt		15,663,923	-	1,355,336	14,308,586	1,443,750	12,864,837

Enterprise Debt - Water

Water Enterprise Liabilities	Purpose	Balance 6/30/25	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/26	Due Within 1 Year	Due in More Than 1 Year
2014 Water Refunding Revenue Bonds Bond Rating: AA- Maturity: 3/1/2036	<i>Refinanced 2006 Water Revenue Bonds and Water Note payable to the State</i>	6,335,000	-	490,000	5,845,000	505,000	5,340,000

Water Enterprise Liabilities	Purpose	Balance 6/30/25	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/26	Due Within 1 Year	Due in More Than 1 Year
2016 I-Bank Water Infrastructure Loan Maturity: 8/1/2046	<i>For City-wide improvements to the water system</i>	20,467,648	-	652,216	19,815,433	673,347	19,142,085
2019 Water Revenue Bonds Bond Rating: AA- Maturity: 3/1/2049	<i>For City-wide improvements to the water system and to repay the outstanding bank loan.</i>	19,005,000	-	425,000	18,580,000	450,000	18,130,000
2020 Water Resources Loan- Newell Creek Inlet Maturity: 10/1/2052	<i>For the Newell Creek Inlet-Outlet Replacement project.</i>	92,637,462	-	2,564,076	90,073,386	2,539,411	87,533,974
2021 Water Resources Loan- Graham Hill Maturity: 4/30/2054	<i>Replacement of 4.5 miles of pipeline to Graham Hill Treatment Plant.</i>	35,431,871	5,027,761	-	40,459,632	1,094,487	39,365,145
2023 WIFIA Loan Maturity: 5/1/2063	<i>For City-wide improvements to the water system</i>	25,435,682	2,132,864	-	27,568,546	-	27,568,546
2024 Water Fund Wells Fargo Line of Credit Maturity: 6/30/2027	<i>For water related projects</i>	16,130,892	130,892	6,400,000	9,861,784	9,861,784	-
2025 Water Resources Loan- Newell Creek Pipeline Maturity: 12/1/2056	<i>Low interest loan from the California State Water Resources Control Board Drinking Water State Revolving Fund (SRF) program for the Newell Creek Pipeline Project from Felton to the Graham Hill Water Treatment Plant</i>	384,679	-	-	384,679	-	384,679
Total Water Liabilities		215,828,235	7,291,517	10,531,292	212,588,459	15,124,029	197,464,430

Enterprise Debt - Wastewater

Wastewater Enterprise Liabilities	Purpose	Balance 6/30/25	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/26	Due Within 1 Year	Due in More Than 1 Year
2020 I-Bank Wastewater UV Loan Maturity: 8/1/2050	<i>Ultraviolet light disinfection system replacement project</i>	3,168,954	-	87,998	3,080,956	90,198	2,990,758
2025 I-Bank Wastewater Loan Maturity: 8/1/2054	<i>Front / Spruce / Pacific 54" sewer rehabilitation; Wastewater Treatment Facility Headworks structure rehabilitation and replacement</i>	26,000,000	-	467,468	25,532,532	485,933	25,046,599
Total Wastewater Liabilities		29,168,954	-	555,466	28,613,488	576,131	28,037,358

Enterprise Debt - Parking

Parking Enterprise Liabilities	Purpose	Balance 6/30/25	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/26	Due Within 1 Year	Due in More Than 1 Year
2017 Parking Refunding LRB Bond Rating: AA Maturity: 11/1/2028	<i>Refinanced 2010 LRB's. Original issue was 1998 COP 8 for construction of a parking garage.</i>	1,240,000	-	295,000	945,000	300,000	645,000
2025 Parking Revenue Bond Maturity: 4/1/2055	<i>Parking structure at Cedar / Cathcart</i>	24,870,000	-	-	24,870,000	-	24,870,000
Total Parking Liabilities		26,110,000	-	295,000	25,815,000	300,000	25,515,000

Enterprise Debt - Stormwater

Storm Water Enterprise Liabilities	Purpose	Balance 6/30/25	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/26	Due Within 1 Year	Due in More Than 1 Year
2014 Storm Water Refunding Revenue Bonds Bond Rating: A+ Maturity: 10/1/2028	<i>Refinanced 2005 Revenue Bonds. Original issue was 1999 COP 9 for San Lorenzo River flood control project.</i>	1,320,000	-	360,000	960,000	370,000	590,000

Storm Water Enterprise Liabilities	Purpose	Balance 6/30/25	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/26	Due Within 1 Year	Due in More Than 1 Year
Total Storm Water Liabilities		1,320,000	-	360,000	960,000	370,000	590,000
Total Enterprise Funds Liabilities		272,427,189	7,291,517	11,741,758	267,976,948	16,370,160	251,606,788

Successor Agency Trust

Successor Agency Trust	Purpose	Balance 6/30/25	Additions to Debt	Principal Paydown & Maturities	Balance 6/30/26	Due Within 1 Year	Due in More Than 1 Year
2004 RDA TAB Merged Bond Rating: A Maturity: 10/1/2031	<i>Refinanced 1996 Earthquake Recovery Bonds and raised funds for additional redevelopment projects.</i>	1,960,000	-	245,000	1,715,000	255,000	1,460,000
Total Successor Agency Trust		1,960,000	-	245,000	1,715,000	255,000	1,460,000
Subtotal Debt Service Obligations		290,051,112	7,291,517	13,342,094	284,000,534	18,068,909	265,931,625

Pension and Other Post-Employment Benefits Obligations

Public Employees Retirement System (PERS)	Measurement Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Percentage of Assets	Prior Valuation Unfunded Liability
Miscellaneous employees	6/30/2024	422,685,473	555,948,837	133,263,364	76.0%	139,695,967
Safety employees	6/30/2024	245,496,692	348,288,529	102,791,836	70.5%	95,425,573
Total PERS Obligations		668,182,692	904,237,366	236,055,200	73.9%	235,121,540

Other Post-Employment Benefits (OPEB)	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Percentage of Assets	Prior Valuation Unfunded Liability
Total OPEB Obligations	4,669,199	48,870,472	44,201,273	9.6%	42,094,728
Subtotal Pension and OPEB Obligations	672,851,364	953,107,838	280,256,473	70.6%	277,216,268

Other Future Obligations without Annual Debt Service

Obligation Source	FY 2025 Budget Balance as of Reporting Date	FY 2026 Budget Balance as of Reporting Date
Compensated absences	2,224,604	3,697,010
Claims and judgments	14,414,148	16,018,280
Landfill closure	11,042,136	11,554,964
Total Future Debt Obligations	27,680,888	31,270,254

Summary of Total Obligations

Obligation Source	FY 2026 Budget Balance as of Reporting Date	Percentage of Total Debt	FY 2027 Budget Balance as of Reporting Date	Percentage of Total Debt
City-wide Debt before Pension	290,051,112	48.8%	284,000,534	47.7%
City-wide Unfunded Pension Liability	277,216,268	46.6%	280,256,473	47.1%
Other future debt obligations	27,680,888	4.7%	31,270,254	5.3%
TOTAL ALL CITY OBLIGATIONS	594,948,268		595,527,261	