

1018000000—Equipment Use Allowance/Debt Service

General Government

Monica Nino, County Administrator

General Fund	2017-2018 Actual	2018-2019 Adjusted	2019-2020 Requested	2019-2020 Recommended	Increase/ (Decrease)
Expenditures					
Services & Supplies	\$15,547,270	\$15,317,408	\$14,161,224	\$14,161,224	(\$1,156,184)
Total Expenditures	\$15,547,270	\$15,317,408	\$14,161,224	\$14,161,224	(\$1,156,184)
Expenditure Reimbursements	(2,248,802)	(1,128,304)	(6,567,332)	(6,567,332)	(5,439,028)
Total Appropriations	\$13,298,468	\$14,189,104	\$7,593,892	\$7,593,892	(\$6,595,212)
Earned Revenues By Source					
Operating Transfers In	\$8,612,121	\$8,568,534	\$7,593,892	\$7,593,892	(\$974,642)
Total Revenues	\$8,612,121	\$8,568,534	\$7,593,892	\$7,593,892	(\$974,642)
Net County Cost	\$4,686,347	\$5,620,570	\$0	\$0	(\$5,620,570)

Purpose

The Equipment Use Allowance and Debt Service budget provides funds for debt payments on County projects financed on a long-term basis and for interest owed on short-term borrowing. This budget also receives a cost reimbursement for building depreciation allowed by the Federal Cost Allocation Plan.

- (\$1,033,184) Decrease in transfer from Hospital reflecting decrease in Hospital debt payment.
- (\$245,118) Decrease in transfer from Child Support Service reflecting decrease in 1993 Capital Facilities Project.

Major Budget Changes

Services & Supplies

- \$1,728,750 Increase in Administration Building debt payment.
- (\$1,851,750) Decrease in Capital Facilities project debt payment.
- (\$1,033,184) Decrease in Hospital debt payment.

Expenditure Reimbursements

- (\$5,439,028) Cost Allocation Plan adjustment.

Operating Transfers

- \$303,660 Increase in transfer from County Facilities Fee Program reflecting higher Administration Building debt payment.

Program Discussion

Long-Term Financing (\$14,155,224)

This budget funds the annual debt payments for the Certificates of Participation (COPs) and Revenue Bonds issued to finance the County's major capital improvements, construction, and acquisition projects. Since 1989, the County has issued seven COPs and three of these issues are still outstanding, two of which will be paid off during 2019-2020.

The four projects associated with the three COPs are:

- **Jail and Sheriff's Operations Center:** In 1989, \$40.9 million was issued at 7.185% to finance the County's share of the construction costs for the Jail and Sheriff's Operations Center on Mathews Road. This project was refinanced at 4.875% in 1993 with final maturity in November 2019. The final payment is included in the Capital Facilities Project listed below.
- **Capital Facilities Project:** In 1993, \$110.7 million was issued at 4.875% to: 1) refinance the COPs issued in 1989, and 2) finance the construction of a \$3.0 million Family Support Building addition. The refinancing reduced the County's total debt obligations by approximately \$8.2 million over a 26-year period, for an

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average annual savings of \$315,000 through 2019. The callable portion of the 1993 COPs was refinanced in 2007. Final maturity will occur in November 2019, with a final debt payment of \$1,819,375.

- **General Hospital Project:** In 1993, \$106.7 million was issued at 6.588% to finance the construction of a 245,000 square foot, three-story replacement hospital on Mathews Road. This project was refinanced at 4.948% in 1999. The 1999 refunding was subsequently refinanced at 2.37% in 2012 and reduced San Joaquin General Hospital's total debt obligations by approximately \$3.9 million, for an average annual savings of \$633,000. Final maturity will occur in September 2019, with a remaining debt payment of \$5,878,849, a year earlier than the original financing.
- **Administration Building Project:** In 2017, \$79.9 million was issued at 2.155% to: 1) to refinance the Series 2007 Administration Building COPs that financed the construction of a 250,000 square foot, six-story County Administration Building in Downtown Stockton; and 2) refinanced the callable portion of the 1993 COPs, consisting of the Jail and Sheriff's Operation Center project and the Family Support Building addition project. The refinancing reduced the County's total present value debt obligations by \$26.8 million, and reduced the final maturity date from November 2035 to November 2031, with an average annual debt payment of \$7.1 million through 2019-2020 and \$8.3 million beginning 2020-2021 to the final maturity date of November 2031.

The General Government COPs' debt payments are centrally-budgeted and, where appropriate, charged to departments that have offsetting revenues. The 2019-2020 debt payments on the outstanding COPs will be \$14,155,224 with offsetting revenue totaling \$7,593,892.

In addition to the General Government COPs, the County has two outstanding Revenue COPs whose debt payments are funded by user fees and are accounted for in its respective operating budgets. They include:

- **Solid Waste Facilities Project:** In 2014, \$36.8 million was issued at 3.697% to: 1) fund the construction of modules and gas collection systems at the County landfill facilities; and 2) refinance the 1991 and 1994 Solid Waste Facilities Project Revenue COPs. This project was refinanced at 2.888% in 2014 and reduced the Solid Waste Enterprise total debt obligations by approximately \$1.2 million. Final maturity will occur in April 2022 with an average annual debt payment of \$1.9 million. In November 2017, a material change took

place. S&P Global Ratings upgraded this COPs' credit rating from A- to A. S&P Global upgraded rating was based on the Solid Waste system's improved debt service coverage and liquidity for the prior three years.

- **Wastewater Conveyance Project:** In 2018, \$7.8 million was issued at 4.244% to: 1) to refinance the Series 2007 CSA 31 Wastewater project COPs and also refinance the 2007 County General Fund loan to CSA 31 that funded the construction of sanitary sewer improvements in County Service Area 31 (Flag City), the connection fee to the City of Lodi's wastewater treatment facility, and the decommission of the Flag City Treatment Plant. The refinancing reduced the CSA 31 Wastewater project total present value debt obligations by \$961,260, and extended the final maturity date from August 2037 to August 2042 with an average annual debt payment of \$538,501.

Cost Allocation Plan

This budget also provides an accounting mechanism by which various depreciation charges can be made by the Auditor-Controller's Office according to the Federal Cost Allocation Plan. It is anticipated that during 2019-2020, \$6,567,332 of depreciation expense will be credited to this budget from other County entities. This increase of \$5,439,028 from 2018-2019 is due to an expansion of the applicability of the Cost Allocation Plan to all County departments.

In 2019-2020, the Countywide Cost Allocation Plan reimbursement exceeded the net cost of operations. As a result, the recommended budget includes a one-time decrease of \$212,372 in the transfer of Capital Facilities Fee. During 2019-2020, the County will investigate the depreciation charge. Any changes in the allocation method will be effective in 2020-2021.

Debt Management Policy

In accordance with Assembly Bill 1029, public agencies in the State that plan to issue debt are required to certify that the issuer has a local debt policy. On July 25, 2017, the Board of Supervisors with the assistance from the San Joaquin County Public Facilities Financing Corporation, a nonprofit, public benefit corporation, adopted the Debt Management Guidelines and Procedures for San Joaquin County (B-17-465). The County policy sets forth guidelines and restrictions that will affect the amount and type of debt issued, elements of the issuance process, and how the debt will be managed by the County with the objective of establishing a method to address long-term capital improvement costs, and short-term and long-term cash management strategies.

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Long-Term Debt Financing as of June 30, 2019

	Original Debt Service	Remaining Debt Service	Average Annual Payment	Maturity Date
General Government - Projects				
2012 Certificates of Participation San Joaquin General Hospital	\$47,710,989	\$5,878,849	\$6,746,204	September 1, 2019
2017 Certificates of Participation County Administration Building	110,355,307	99,099,825	8,256,287	November 15, 2031
Subtotal	\$158,066,296	\$104,978,674	\$15,002,491	
Funded by User Fees - Projects				
2014 Certificates of Participation Solid Waste Facilities	\$14,862,356	\$5,370,350	\$1,898,401	April 1, 2022
2018 Revenue Bonds CSA 31 (Flag City) Wastewater	13,462,531	12,923,375	538,501	August 1, 2042
Subtotal	\$28,324,887	\$18,293,725	\$2,436,902	
Total Debt	\$186,391,183	\$123,272,399	\$17,439,393	