

**SINKING FUND COMMISSION  
FISCAL YEAR 2020 BUDGET TESTIMONY  
APRIL 2, 2019**

**INTRODUCTION**

Good Morning, President Clarke and Members of City Council. I am Matthew Bowman, Executive Director of the Sinking Fund Commission. I am pleased to provide testimony on the Sinking Fund's Fiscal Year 2020 Operating Budget.

**DEPARTMENT MISSION & PLANS**

**Mission:** The Sinking Fund is responsible for the budgeting, payment, and administration of the City's debt service and debt-related payments across its General Obligation, City Service Agreement, Airport Revenue, Water Revenue credits and the administration of debt service and debt-related payments for Gas Works Revenue credits. The Sinking Fund also coordinates with an outside consultant for calculation of arbitrage rebate on the City's tax-exempt bonds and the timely payment of any liabilities to the Internal Revenue Service (IRS).

**Plans for Fiscal Year 2020:** The Commission oversees the timely repayment of bond principal and interest (P&I) on City-related debt, service agreements and lease obligations. The City has \$8.6 billion of debt outstanding as of 02/28/2019; the City's general obligation bond ratings are A2/A/A-.

SINKING FUND COMMISSION

**BUDGET SUMMARY & OTHER BUDGET DRIVERS<sup>1</sup>**

<b>General Fund Financial Summary by Class</b>						
	FY18 Original Appropriations	FY18 Actual Obligations	FY19 Original Appropriations	FY19 Estimated Obligations	FY20 Proposed Appropriations	Difference: FY20-FY19
Class 200 - Purchase of Services	\$138,697,144	\$116,708,317	\$125,536,378	\$125,536,378	\$109,222,498	(\$16,313,880)
Class 700 - Debt Service	\$157,322,070	\$148,795,403	\$169,496,126	\$169,496,126	\$187,482,819	\$17,986,693
	<b>\$296,019,214</b>	<b>\$265,503,720</b>	<b>\$295,032,504</b>	<b>\$295,032,504</b>	<b>\$296,705,317</b>	<b>\$1,672,813</b>

<b>Water Fund Financial Summary by Class</b>						
	FY18 Original Appropriations	FY18 Actual Obligations	FY19 Original Appropriations	FY19 Estimated Obligations	FY20 Proposed Appropriations	Difference: FY20-FY19
Class 700 - Debt Service	\$240,267,536	\$237,248,135	\$212,992,336	\$212,992,336	\$218,105,830	\$5,113,494
	<b>\$240,267,536</b>	<b>\$237,248,135</b>	<b>\$212,992,336</b>	<b>\$212,992,336</b>	<b>\$218,105,830</b>	<b>\$5,113,494</b>

<b>Aviation Fund Financial Summary by Class</b>						
	FY18 Original Appropriations	FY18 Actual Obligations	FY19 Original Appropriations	FY19 Estimated Obligations	FY20 Proposed Appropriations	Difference: FY20-FY19
Class 700 - Debt Service	\$159,426,123	\$109,055,267	\$163,801,936	\$163,801,936	\$134,825,501	(\$28,976,435)
	<b>\$159,426,123</b>	<b>\$109,055,267</b>	<b>\$163,801,936</b>	<b>\$163,801,936</b>	<b>\$134,825,501</b>	<b>(\$28,976,435)</b>

<b>Car Rental Fund Financial Summary by Class</b>						
	FY18 Original Appropriations	FY18 Actual Obligations	FY19 Original Appropriations	FY19 Estimated Obligations	FY20 Proposed Appropriations	Difference: FY20-FY19
Class 700 - Debt Service	\$7,000,000	\$6,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$0
	<b>\$7,000,000</b>	<b>\$6,000,000</b>	<b>\$7,000,000</b>	<b>\$7,000,000</b>	<b>\$7,000,000</b>	<b>\$0</b>

<sup>1</sup> The Sinking Fund Commission has no staff with the Executive Director being paid out of the Office of the City Treasurer’s budget. They also do not have an M/W/DSBE goal, as their activities are reflected in CTO’s hiring and contracting numbers. As these numbers indicate, the CTO strives to achieve diversity in its hiring of professionals for each transaction, as well have diversity reflected among CTO’s staff.

## SINKING FUND COMMISSION

### PROPOSED BUDGET OVERVIEW

#### Proposed Funding Request:

The highlights of the Fiscal Year 2020 Sinking Fund debt service budget are as follows:

- The total budget (All Funds) is \$656.65 million, which is a decrease of \$22.19 million or 3.27% from the estimated obligations for Fiscal Year 2019.
- The Fiscal Year 2020 budget for each of the funds and the change from FY19 estimated obligations are as follows:

	Budget (in millions)	Increase/(Decrease) (in millions)	Percent Increase/(Decrease)
General	\$296.71	\$1.67	0.57%
Water	\$218.11	\$5.11	2.40%
Aviation	\$134.83	(\$28.78)	(17.69%)
Car Rental Tax	\$7.00	\$0.00	0.00%
<b>Total</b>	<b>\$656.65</b>	<b>(\$22.19)</b>	<b>(3.27%)</b>

The highlights for each fund are discussed below.

#### GENERAL FUND

The General Fund portion of this request totals \$296.71 million, comprised of two classes: Class 200 for city service agreement obligations and lease payments, and Class 700 for debt service.

The Class 200 request of \$109.22 million reflects a \$16.31 million decrease from the FY19 current estimate.

The Class 700 request of \$187.48 million is mainly for debt service on the City's general obligations. This is \$17.99 million more than the FY19 current estimate.

#### WATER FUND

The Commission's request for the Water Fund for FY20 totals \$218.11 million, all in Class 700, for payment of debt service on Water and Sewer bonds. This represents a \$5.11 million increase over FY19 estimated obligations.

#### AVIATION FUND

The Commission's request for the Aviation Fund for FY19 is \$134.83 million, all Class 700. This amount is a decrease of \$28.98 million from FY19 estimated obligations.

#### CAR RENTAL TAX FUND

The Commission's request of \$7 million in the Car Rental Tax fund is to provide for lease revenue bond payments on the sports stadiums from vehicle rental tax revenues. This is unchanged from FY19.

## SINKING FUND COMMISSION

### STAFFING LEVELS

The department is requesting 0 budgeted positions for FY20, consistent with FY19. The Executive Director is paid for out of the City Treasurer's Office.

### NEW HIRES

N/A – the department has 0 budgeted positions

### PERFORMANCE, CHALLENGES, AND INITIATIVES

FY20 Strategic Goals
<ul style="list-style-type: none"><li>• Continue to make timely and accurate debt service payments for all of the City's credits.</li><li>• Make the payment process more efficient while maintaining the appropriate internal controls.</li></ul>



Performance is reflected in the City Treasurer's Office's testimony.

### OTHER BUDGETARY IMPACTS

#### Federal and State (Where Applicable)

N/A

#### CONTRACTING EXPERIENCE

N/A

#### EMPLOYEE DATA

N/A – the department has 0 budgeted positions

### LANGUAGE ACCESS

Given the overlap with the City Treasurer's Office, language access for the Sinking Fund is covered under the CTO's plan. The Sinking Fund's answers to the Language Access section can be found in the CTO's testimony.