

**SINKING FUND COMMISSION
FISCAL YEAR 2019 BUDGET TESTIMONY
APRIL 3, 2018**

INTRODUCTION

Good afternoon, Council President Clarke and members of City Council. I am Matthew Bowman, Executive Director of the Sinking Fund Commission. I want to thank members of City Council for allowing me to testify on behalf of the Commission on our Fiscal Year 2019 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 and 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 2019: The Commission oversees the timely repayment of bond principal and interest (P&I) on City-related debt, service agreements and lease obligations. The City currently has \$8.4 billion of debt outstanding as of 02/28/2018; the City's current bond ratings are A2/A/A-.

SINKING FUND COMMISSION

BUDGET SUMMARY & OTHER BUDGET DRIVERS¹

| General Fund Financial Summary by Class | | | | | | |
|------------------------------------------------|------------------------------|-------------------------|------------------------------|----------------------------|------------------------------|-----------------------|
| | FY17 Original Appropriations | FY17 Actual Obligations | FY18 Original Appropriations | FY18 Estimated Obligations | FY19 Proposed Appropriations | Difference: FY19-FY18 |
| Class 200 - Purchase of Services | \$121,389,615 | \$97,474,248 | \$138,697,144 | \$138,697,144 | \$125,536,378 | (\$13,160,766) |
| Class 700 - Debt Service | \$153,950,119 | \$140,892,996 | \$157,322,070 | \$157,322,070 | \$169,496,126 | \$12,174,056 |
| | \$275,339,734 | \$238,367,244 | \$296,019,214 | \$296,019,214 | \$295,032,504 | (\$986,710) |

| Water Fund Financial Summary by Class | | | | | | |
|----------------------------------------------|------------------------------|-------------------------|------------------------------|----------------------------|------------------------------|-----------------------|
| | FY17 Original Appropriations | FY17 Actual Obligations | FY18 Original Appropriations | FY18 Estimated Obligations | FY19 Proposed Appropriations | Difference: FY19-FY18 |
| Class 700 - Debt Service | \$207,371,679 | \$215,897,713 | \$240,267,536 | \$240,267,536 | \$212,992,336 | (\$27,275,200) |
| | \$207,371,679 | \$215,897,713 | \$240,267,536 | \$240,267,536 | \$212,992,336 | (\$27,275,200) |

| Aviation Fund Financial Summary by Class | | | | | | |
|-------------------------------------------------|------------------------------|-------------------------|------------------------------|----------------------------|------------------------------|-----------------------|
| | FY17 Original Appropriations | FY17 Actual Obligations | FY18 Original Appropriations | FY18 Estimated Obligations | FY19 Proposed Appropriations | Difference: FY19-FY18 |
| Class 700 - Debt Service | \$139,626,331 | \$122,138,865 | \$159,426,123 | \$159,426,123 | \$163,801,936 | \$4,375,813 |
| | \$139,626,331 | \$122,138,865 | \$159,426,123 | \$159,426,123 | \$163,801,936 | \$4,375,813 |

| Car Rental Tax Fund Financial Summary by Class | | | | | | |
|-------------------------------------------------------|------------------------------|-------------------------|------------------------------|----------------------------|------------------------------|-----------------------|
| | FY17 Original Appropriations | FY17 Actual Obligations | FY18 Original Appropriations | FY18 Estimated Obligations | FY19 Proposed Appropriations | Difference: FY19-FY18 |
| Class 700 - Debt Service | \$6,000,000 | \$6,000,000 | \$7,000,000 | \$7,000,000 | \$7,000,000 | \$0 |
| | \$6,000,000 | \$6,000,000 | \$7,000,000 | \$7,000,000 | \$7,000,000 | \$0 |

| All Funds Financial Summary by Class | | | | | | |
|---------------------------------------------|------------------------------|-------------------------|------------------------------|----------------------------|------------------------------|-----------------------|
| | FY17 Original Appropriations | FY17 Actual Obligations | FY18 Original Appropriations | FY18 Estimated Obligations | FY19 Proposed Appropriations | Difference: FY19-FY18 |
| Class 200 - Purchase of Services | \$121,389,615 | \$97,474,248 | \$138,697,144 | \$138,697,144 | \$125,536,378 | (\$13,160,766) |
| Class 700 - Debt Service | \$517,948,129 | \$484,929,574 | \$564,015,729 | \$564,015,729 | \$553,290,398 | (\$10,725,331) |
| | \$639,337,744 | \$582,403,822 | \$702,712,873 | \$702,712,873 | \$678,826,776 | (\$23,886,097) |

¹ 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.

SINKING FUND COMMISSION

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The highlights of the Sinking Fund service budget are as follows:

- The total budget (All Funds) is \$678.83 million, which is a decrease of \$23.88 million or 3.40% under the estimated obligations for Fiscal Year 2018.
- The Fiscal Year 2019 budget for each of the funds and the change from FY18 estimated obligations are as follows:

| | Budget (in millions) | Increase/(Decrease) (in millions) | Percent Increase/(Decrease) |
|----------------|-------------------------|--------------------------------------|--------------------------------|
| General | \$295.03 | (\$0.99) | (0.33%) |
| Water | \$212.99 | (\$27.28) | (11.35%) |
| Aviation | \$163.80 | \$4.38 | 2.75% |
| Car Rental Tax | \$7.00 | \$0.00 | 0.00% |
| Total | \$678.83 | (\$23.88) | (3.40%) |

The highlights for each fund are discussed below.

GENERAL FUND

The General Fund portion of this request totals \$295.03 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 \$125.54 million reflects a \$13.16 million decrease from the FY18 current estimate.

The Class 700 request of \$169.50 million is mainly for debt service on the City's general obligations. This is \$12.17 million more than the FY18 current estimate.

WATER FUND

The Commission's request for the Water Fund for FY19 totals \$212.99 million, all in Class 700, for payment of debt service on Water and Sewer bonds. This represents a \$27.28 million decrease over FY18 estimated obligations.

AVIATION FUND

The Commission's request for the Aviation Fund for FY19 is \$163.80 million, all Class 700. This amount is an increase of \$4.38 million over FY18 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.

SINKING FUND COMMISSION

STAFFING LEVELS

The department is requesting 0 budgeted positions for FY19, consistent with FY18. 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

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 answers to the Language Access section can be referred to in the CTO's budget testimony.