

**SINKING FUND COMMISSION
FISCAL YEAR 2023 BUDGET TESTIMONY
APRIL 6, 2022**

INTRODUCTION

Good Afternoon, President Clarke and Members of City Council. I am Matthew Bowman, Deputy City Treasurer and Executive Director of the Sinking Fund Commission, and I am joined by Jacqueline Dunn, City Treasurer and Natalia Dominguez Buckley, First Deputy City Treasurer. I am pleased to provide testimony on the Sinking Fund's Fiscal Year 2023 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 2023: The Commission oversees the timely repayment of bond principal and interest on City-related debt, service agreements and lease obligations. The City has approximately \$9.0 billion of debt outstanding as of 3/31/2022; the City's general obligation bond ratings are A2/A/A- from Moody's, S&P, and Fitch, respectively.

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BUDGET SUMMARY & OTHER BUDGET DRIVERS

Please refer to attached FY23 Budget Hearing Summary Charts in section 3: Financial Summary by Class.

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PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The highlights of the Fiscal Year 2023 Sinking Fund debt service budget are as follows:

- The total budget (All Funds) is \$638.90 million, which is an increase of \$5.13 million, or 0.81% from the estimated obligations for Fiscal Year 2022.
- The Fiscal Year 2023 budget for each of the funds and the change from FY22 estimated obligations are as follows:

	Budget (in millions)	Increase/(Decrease) (in millions)	Percent Increase/(Decrease)
General	\$308.80	\$15.57	5.31%
Water	\$200.99	(\$0.55)	(0.27%)
Aviation	\$119.36	(\$12.64)	(9.58%)
Car Rental Tax	\$7.00	\$0.00	0.00%
Housing Trust	\$2.75	\$2.75	100.00%
Total	\$638.90	\$5.13	0.81%

The highlights for each fund are discussed below.

GENERAL FUND

The General Fund portion of this request totals \$308.80 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 \$115.09 million reflects a \$14.53 million increase from the FY22 current estimate.

The Class 700 request of \$193.71 million is mainly for debt service on the City's general obligations. This is \$1.04 million more than the FY22 current estimate.

WATER FUND

The Commission's request for the Water Fund for FY23 totals \$200.99 million, all in Class 700, for payment of debt service on Water and Sewer bonds. This represents a \$0.55 million decrease from FY22 estimated obligations.

AVIATION FUND

The Commission's request for the Aviation Fund for FY23 is \$119.36 million, all Class 700. This amount is a decrease of \$12.64 million from FY22 estimated obligations.

CAR RENTAL TAX FUND

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The Commission's request of \$7.00 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 FY22.

HOUSING TRUST FUND

The Commission's request of \$2.75 million in the Housing Trust fund is to provide for lease revenue bond payments on for future Neighborhood Preservation Initiative (NPI) borrowings. This is new, as prior payments for NPI bonds have been budgeted from the General Fund.

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STAFFING LEVELS

The department is requesting zero budgeted positions for FY23, consistent with FY22. The Executive Director is paid for out of the City Treasurer's Office budget.

NEW HIRES

The Sinking Fund have zero budgeted positions.

PERFORMANCE, CHALLENGES, AND INITIATIVES

The Sinking Fund does not have any performance measures.

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

N/A

CONTRACTING EXPERIENCE

The Sinking Fund does not have any contracts.

EMPLOYEE DATA

The Sinking Fund does not have any staff.

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.

CLIMATE CHANGE

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

Note: The Sinking Fund does not have any staff or contracts.

3. Financial Summary by Class

Some departments may also want to provide financial summary tables for other funds, such as the Grants Fund. Departments should delete any budget lines that have \$0 in every year (i.e. if a department has no Class 500 appropriations, actuals, or proposed appropriations, the Class 500 row should be deleted).

General Fund Financial Summary by Class

	FY21 Original Appropriations	FY21 Actual Obligations	FY22 Original Appropriations	FY22 Estimated Obligations	FY23 Proposed Appropriations	Difference: FY23-FY22
Class 200 - Purchase of Services	\$96,918,314	\$95,004,723	\$104,560,657	\$100,560,657	\$115,087,498	\$14,526,841
Class 700 - Debt Service	\$185,714,117	\$178,543,269	\$192,666,858	\$192,666,858	\$193,710,223	\$1,043,365
	\$282,632,431	\$273,547,992	\$297,227,515	\$293,227,515	\$308,797,721	\$15,570,206

Water Fund Financial Summary by Class

	FY21 Original Appropriations	FY21 Actual Obligations	FY22 Original Appropriations	FY22 Estimated Obligations	FY23 Proposed Appropriations	Difference: FY23-FY22
Class 700 - Debt Service	\$203,122,357	\$186,312,230	\$201,542,300	\$201,542,300	\$200,992,399	(\$549,901)
	\$203,122,357	\$186,312,230	\$201,542,300	\$201,542,300	\$200,992,399	-\$549,901

Aviation Fund Financial Summary by Class

	FY21 Original Appropriations	FY21 Actual Obligations	FY22 Original Appropriations	FY22 Estimated Obligations	FY23 Proposed Appropriations	Difference: FY23-FY22
Class 700 - Debt Service	\$138,778,094	\$91,006,325	\$132,003,960	\$132,003,960	\$119,361,583	(\$12,642,377)
	\$138,778,094	\$91,006,325	\$132,003,960	\$132,003,960	\$119,361,583	-\$12,642,377

Car Rental Tax Fund Financial Summary by Class

	FY21 Original Appropriations	FY21 Actual Obligations	FY22 Original Appropriations	FY22 Estimated Obligations	FY23 Proposed Appropriations	Difference: FY23-FY22
Class 200 - Purchase of Services	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$0
	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$0

Housing Trust Fund Financial Summary by Class

	FY21 Original Appropriations	FY21 Actual Obligations	FY22 Original Appropriations	FY22 Estimated Obligations	FY23 Proposed Appropriations	Difference: FY23-FY22
Class 200 - Purchase of Services	\$0	\$0	\$0	\$0	\$2,750,000	\$2,750,000
	\$0	\$0	\$0	\$0	\$2,750,000	\$2,750,000