

**SINKING FUND COMMISSION
FISCAL YEAR 2024 BUDGET TESTIMONY
MARCH 29, 2023**

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 2024 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 2024: The Commission oversees the timely repayment of bond principal and interest on City-related debt, service agreements and lease obligations. The City has approximately \$8.9 billion of debt outstanding as of 2/28/2023; the City's general obligation bond ratings are A2/A/A from Moody's, S&P, and Fitch, respectively.

SINKING FUND COMMISSION

BUDGET SUMMARY & OTHER BUDGET DRIVERS

The sinking fund does not have any staff or contracts.

General Fund Financial Summary by Class						
	FY22 Original Appropriations	FY22 Actual Obligations	FY23 Original Appropriations	FY23 Estimated Obligations	FY24 Proposed Appropriations	Difference: FY24-FY23
Class 200 - Purchase of Services	\$104,560,657	\$95,750,035	\$115,087,498	\$115,087,498	\$122,585,099	\$7,497,601
Class 700 - Debt Service	\$192,666,858	\$188,717,559	\$193,710,223	\$193,710,223	\$201,632,422	\$7,922,199
	\$297,227,515	\$284,467,594	\$308,797,721	\$308,797,721	\$324,217,521	\$15,419,800

Water Fund Financial Summary by Class						
	FY22 Original Appropriations	FY22 Actual Obligations	FY23 Original Appropriations	FY23 Estimated Obligations	FY24 Proposed Appropriations	Difference: FY24-FY23
Class 700 - Debt Service	\$201,542,300	\$176,993,378	\$200,992,399	\$200,992,399	\$209,771,743	\$8,779,344
	\$201,542,300	\$176,993,378	\$200,992,399	\$200,992,399	\$209,771,743	\$8,779,344

Aviation Fund Financial Summary by Class						
	FY22 Original Appropriations	FY22 Actual Obligations	FY23 Original Appropriations	FY23 Estimated Obligations	FY24 Proposed Appropriations	Difference: FY24-FY23
Class 700 - Debt Service	\$132,003,960	\$114,814,223	\$119,361,583	\$123,001,652	\$118,997,540	(\$4,004,112)
	\$132,003,960	\$114,814,223	\$119,361,583	\$123,001,652	\$118,997,540	(\$4,004,112)

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Car Rental Fund Financial Summary by Class						
	FY22 Original Appropriations	FY22 Actual Obligations	FY23 Original Appropriations	FY23 Estimated Obligations	FY24 Proposed Appropriations	Difference: FY24-FY23
Class 700 - Debt Service	\$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						
	FY22 Original Appropriations	FY22 Actual Obligations	FY23 Original Appropriations	FY23 Estimated Obligations	FY24 Proposed Appropriations	Difference: FY24-FY23
Class 700 - Debt Service	\$0	\$0	\$2,750,000	\$2,750,000	\$8,720,000	\$5,970,000
	\$0	\$0	\$2,750,000	\$2,750,000	\$8,720,000	\$5,970,000

SINKING FUND COMMISSION

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The highlights of the Fiscal Year 2024 Sinking Fund debt service budget are as follows:

- The total budget (All Funds) is \$668.71 million, which is an increase of \$26.17 million, or 4.07% from the estimated obligations for Fiscal Year 2023.
- The Fiscal Year 2024 budget for each of the funds and the change from FY23 estimated obligations are as follows:

	Budget (in millions)	Increase/(Decrease) (in millions)	Percent Increase/(Decrease)
General	\$324.22	\$15.42	4.99%
Water	\$209.77	\$8.78	4.37%
Aviation	\$119.00	(\$4.00)	-3.26%
Car Rental Tax	\$7.00	\$0.00	0.00%
Housing Trust	\$8.72	\$5.97	217.09%
Total	\$668.71	\$26.17	4.07%

The highlights for each fund are discussed below.

GENERAL FUND

The General Fund portion of this request totals \$324.22 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 \$122.59 million reflects a \$7.50 million increase from the FY23 current estimate.

The Class 700 request of \$201.63 million is mainly for debt service on the City’s general obligations. This is \$7.92 million more than the FY23 current estimate.

WATER FUND

The Commission’s request for the Water Fund for FY24 totals \$209.77 million, all in Class 700, for payment of debt service on Water and Sewer bonds. This represents a \$8.78 million increase from FY23 estimated obligations.

AVIATION FUND

The Commission’s request for the Aviation Fund for FY24 is \$119.00 million, all Class 700. This amount is a decrease of \$4.00 million from FY23 estimated obligations.

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CAR RENTAL TAX FUND

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 FY23.

HOUSING TRUST FUND

The Commission's request of \$8.72 million in the Housing Trust fund is to provide for lease revenue bond payments on for future Neighborhood Preservation Initiative (NPI) borrowings. This represents a \$5.97 million increase from FY23 estimated obligations.

SINKING FUND COMMISSION

STAFFING LEVELS

The department is requesting zero budgeted positions for FY24, consistent with FY23. The Executive Director is paid for out of the City Treasurer's Office budget.

NEW HIRES

The sinking fund does not have any staff.

SINKING FUND COMMISSION

PERFORMANCE, CHALLENGES, AND INITIATIVES

SINKING FUND

[No performance measures]

- Continue to make timely and accurate debt service payments for all the City's credits.
- Make the payment process more efficient while maintaining the appropriate internal controls.

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

N/A

CONTRACTING EXPERIENCE

The Sinking Fund does not have contracts.

EMPLOYEE DATA

The Sinking Fund does not have 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.