



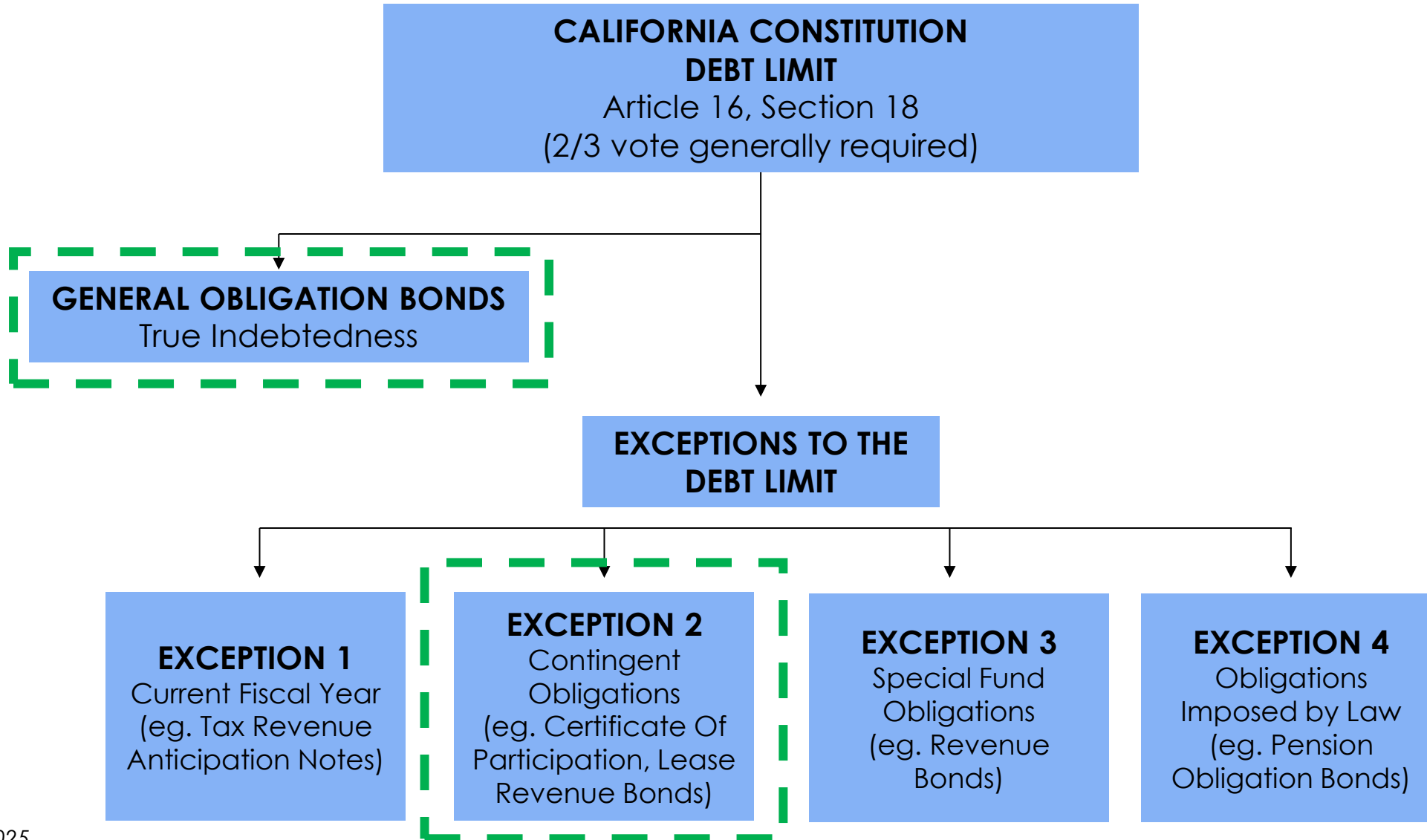
# City of Fresno Debt Management Workshop

JUNE 5, 2025

- California Constitution Debt Limits
- General Obligation Bonds
- Lease Revenue Bonds
- Credit Rating Process
- City of Fresno Debt Overview
- Pave More Now, Pay Later



# California Constitution Debt Limits



## General Obligation Bonds

- Backed by “full faith and credit” of City of Fresno
- Require 2/3 voter approval
- Paid from property taxes levied
- City of Fresno General Obligation Debt Capacity
  - City Charter Article XII Section 1213 – Less than 20% of total assessed valuation
  - 2023/24 Capacity - \$9.9 billion (currently none outstanding)



## Lease Revenue Bonds

- Secured by lease payments paid by the lessee (i.e. City General Fund)
- Voter approval not required
- Lease Revenue Bond Capacity Considerations:
  - Affordability / Ability to make debt service payments
  - Facility Asset Availability
    - Fair Rental Value Determination – Comparability and Essentiality



- Bond proceeds are used to support:
  - Infrastructure – Water, sewer, streets/roads, bridges, utilities
  - Capital Improvement – Fire/police stations, parking structures, parks, administrative center
  - Refinancing – Consolidate or restructure debt, reduce interest costs
  - Tax-exempt bond proceeds cannot be used to support salary costs unless capitalized in connection with support for a capital project



# Credit Rating Process

- Municipal Credit Ratings express an opinion of the issuer's ability to pay debt service, and are generally informed by:
  - Financial Performance – Examination of financial results, actual reserve levels, and how they compare with planned performance
  - Economic Performance – Assessment of the overall economic strength of the region and diversity of tax base
  - Debt Burden/Profile – Examination of the management of debt levels
  - Management & Governance – Assessment of commitment to disciplined fiscal policies and the ability to implement plans



## ➤ Debt Management Policy Objectives

- Minimize debt service and issuance costs
- Provide a scheduling component (planning)
- Maintain access to cost-efficient borrowing
- Achieve the highest practical credit rating
- Full and timely repayment of debt
- Balance use of pay-as-you-go and debt financing
- Maintain full and complete financial disclosure and reporting
- Ensure compliance with applicable State and Federal laws





# City of Fresno Debt Overview

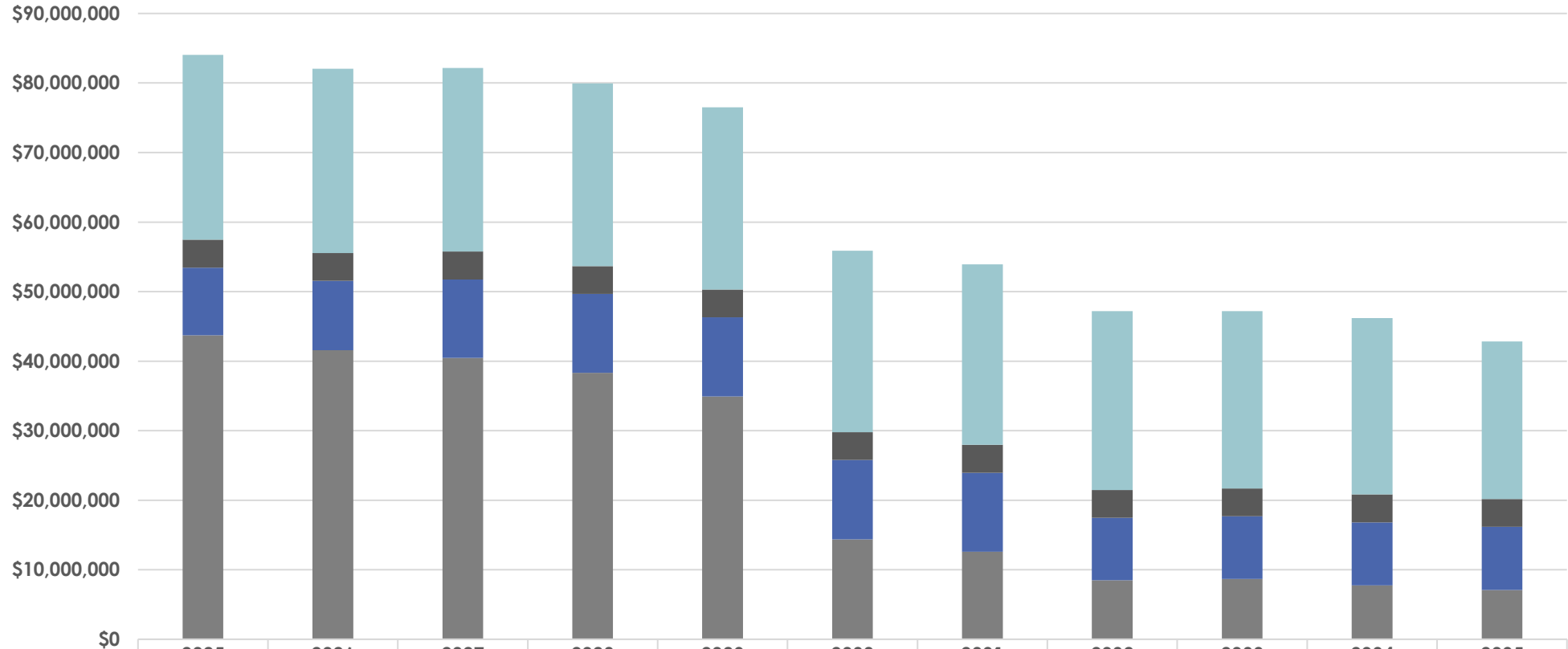
## ➤ City of Fresno General Ratings

YEAR	MOODY'S		S&P		FITCH	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
2024	A1	Stable	AA-	Stable	AA ↑	Stable
2023	A1 ↑	Stable	AA- ↑	Stable	A+ ↑	Positive
2022	A2	Stable	A+	Stable	A	Positive
2021	A2 ↑	Stable	A+	Stable	A	Positive
2020	A3	Stable	A+	Stable	A	Stable
2019	A3	Stable	A+	Stable	A	Stable
2018	A3	Stable	A+	Stable	A	Stable
2017	A3	Stable	A+ ↑	Stable	A	Stable
2016	A3	Stable	BBB-	Stable	A ↑	Stable
2015	A3 ↑	Stable	BBB-	Stable	BBB+	Negative



# City of Fresno Debt Overview

## Citywide Debt Service (as of June 30, 2024)

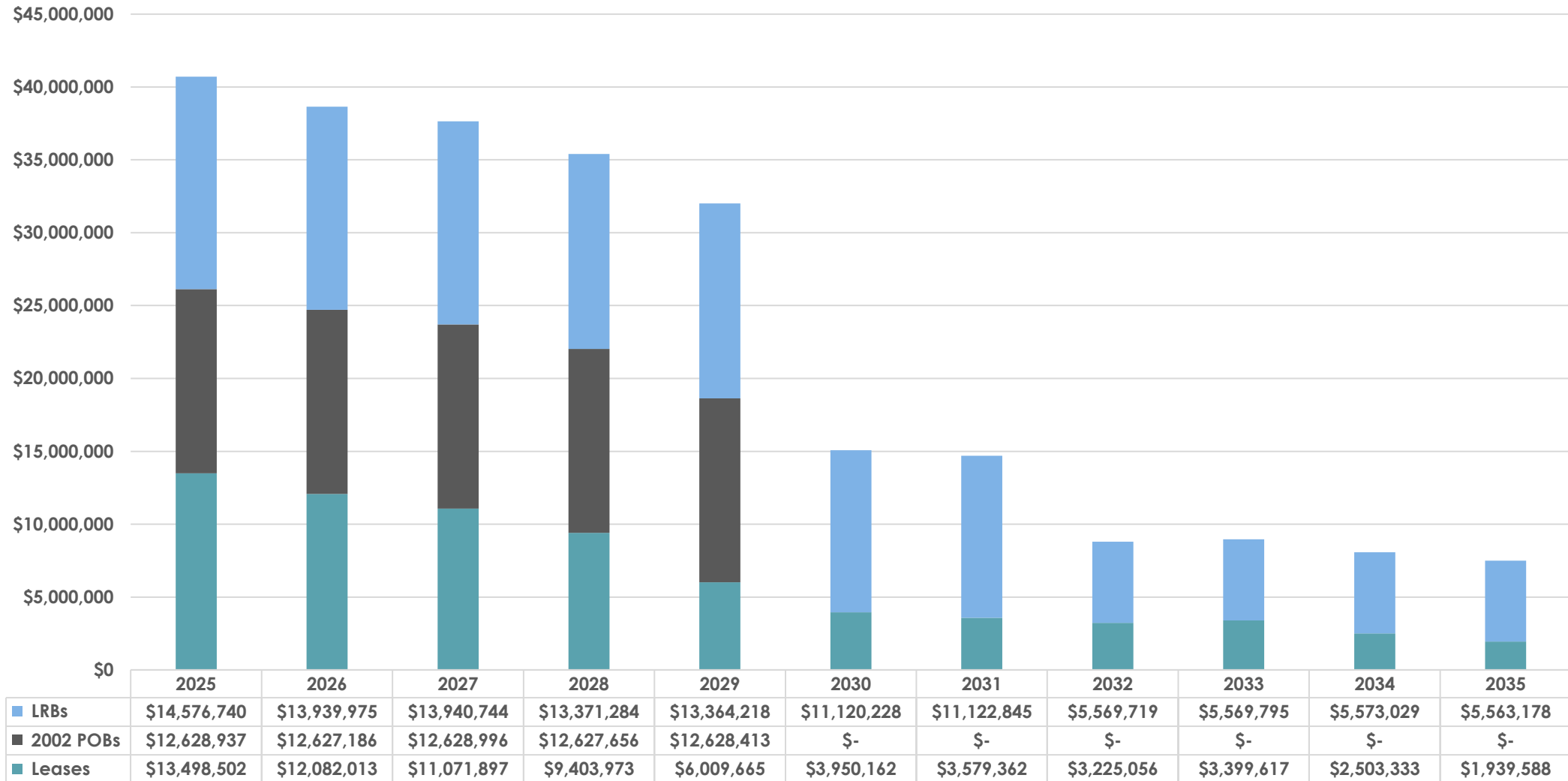


	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Water Enterprise	\$26,576,404	\$26,480,553	\$26,383,654	\$26,285,053	\$26,179,104	\$26,070,478	\$25,953,529	\$25,731,024	\$25,500,667	\$25,365,241	\$22,657,671
Sewer Enterprise	\$4,005,348	\$4,005,347	\$4,005,347	\$4,005,348	\$4,005,347	\$4,005,347	\$4,005,348	\$4,005,347	\$4,005,347	\$4,005,348	\$4,005,347
Airport Enterprise	\$9,721,686	\$9,965,322	\$11,291,175	\$11,336,805	\$11,377,771	\$11,403,779	\$11,370,907	\$8,980,321	\$9,022,432	\$9,057,446	\$9,104,525
General Government	\$43,608,740	\$41,465,820	\$40,450,885	\$38,217,055	\$34,811,566	\$14,368,696	\$12,464,298	\$8,374,245	\$8,546,699	\$7,651,782	\$7,079,002
RDA/Successor	\$116,393	\$116,341	\$16,288	\$116,232	\$116,175	\$16,114	\$116,053	\$115,989	\$115,923	\$115,854	\$-



# City of Fresno Debt Overview

## General Fund Annual Debt Service (as of June 30, 2024)



# City of Fresno Debt Overview

## Collateralized Fixed Assets

Debt Issuance	Facility Asset
1998 – Exhibit Hall Expansion	New Exhibit Hall
2001 – A & B Stadium Project	Fire Station #19, Saroyan Theatre
2004 - A, B & C Various Capital Projects	Convention Center Parking Garage
2017 LRB's Refinance (Master Lease) 2020 - Animal Center (Master Lease)	Stadium, Municipal Service Center, Memorial Auditorium, Parking Garage #4, Regional Training Center, Fire Station #16, Valdez Exhibit Hall, City Hall

- **Facilities Recently Released from Lease Revenue Bond Utilization** - Parking Garage #8, Selland Arena, Woodward Park, Fire Station #15, Fire Station #17, Promenade Parking Lot
- **Other Facilities for Consideration** – Southeast Police Substation, Fire Station #18, Fire Headquarters Building, Dickey Youth Center, Historic Fresno Bee Building
- **Annual Debt Service** – Annual payments, principal and interest, and the respective maturity dates are listed by issuance in the City's Annual Comprehensive Debt Report (ACDR) found at:  
<https://www.fresno.gov/wp-content/uploads/2025/04/FY24-ACDR-Document-Final-20250321-10w581.pdf>



## Why Bond for Street Repaving?

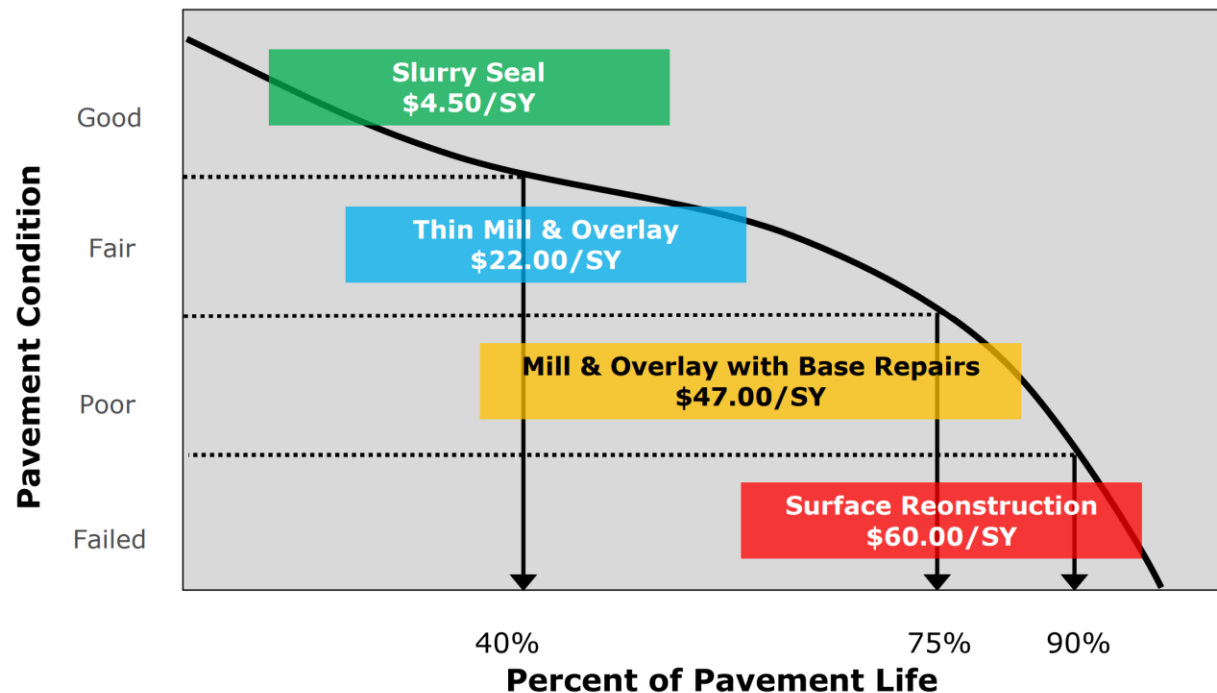
- Deteriorating Pavement Condition Index (PCI)
- PCI by year - 72 in 2008, 60 in 2021, estimated at 55 in 2025
- Repave now before streets decline further
- Construction cost escalation
- Significantly higher costs for repair of failed streets
- Financing the repairs now will be more cost-effective than allowing more deterioration and paying significantly higher future costs
- Additional factors: roadway safety, vehicle wear and tear, quality of life



## Significantly higher costs to repair failed streets



Good Roads Cost Less to Maintain



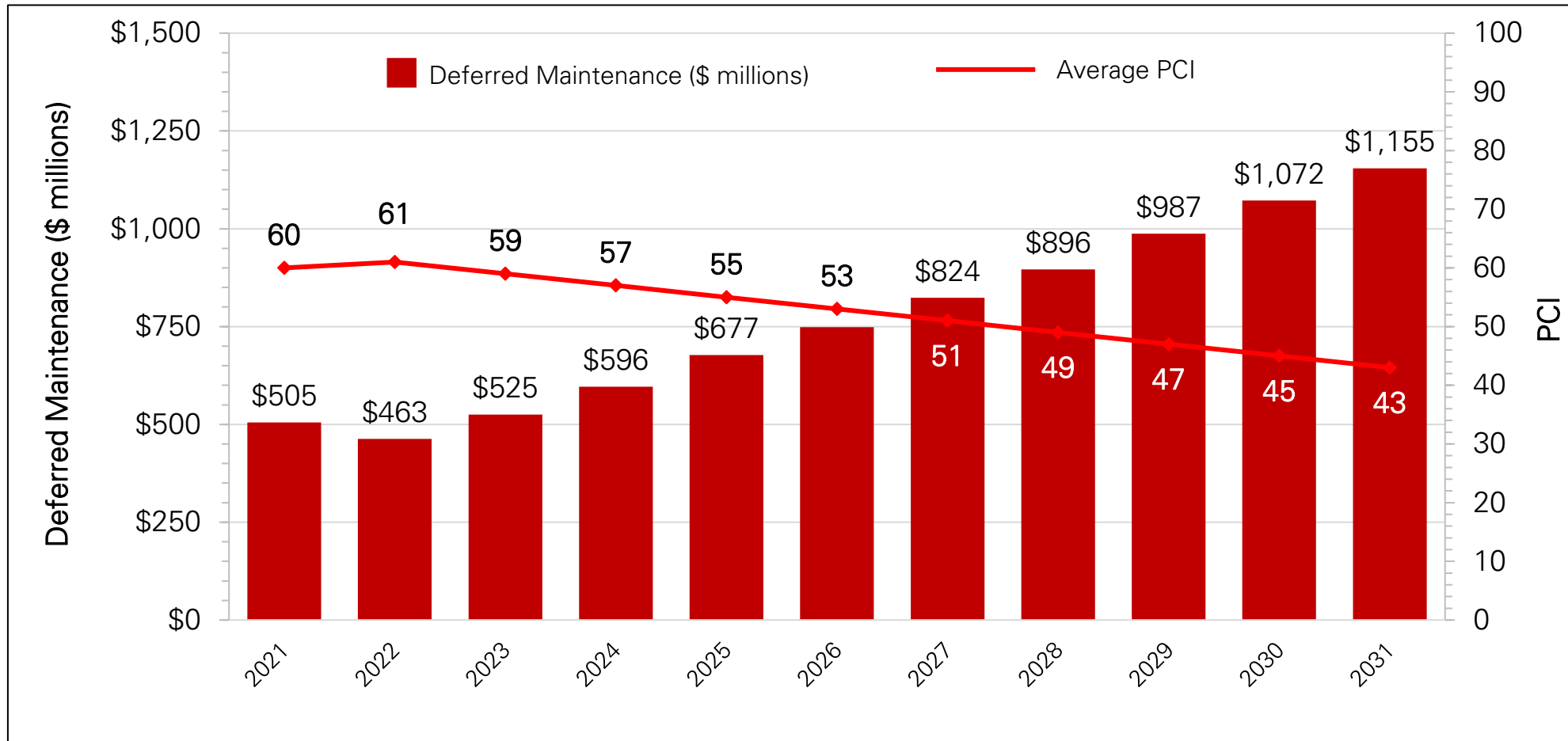
Engineering & Environmental Services

[www.ncenet.com](http://www.ncenet.com)

Costs shown per square yard were from the 2021 study and are shown for comparison purposes.



## Citywide Pavement Condition Index (2021)

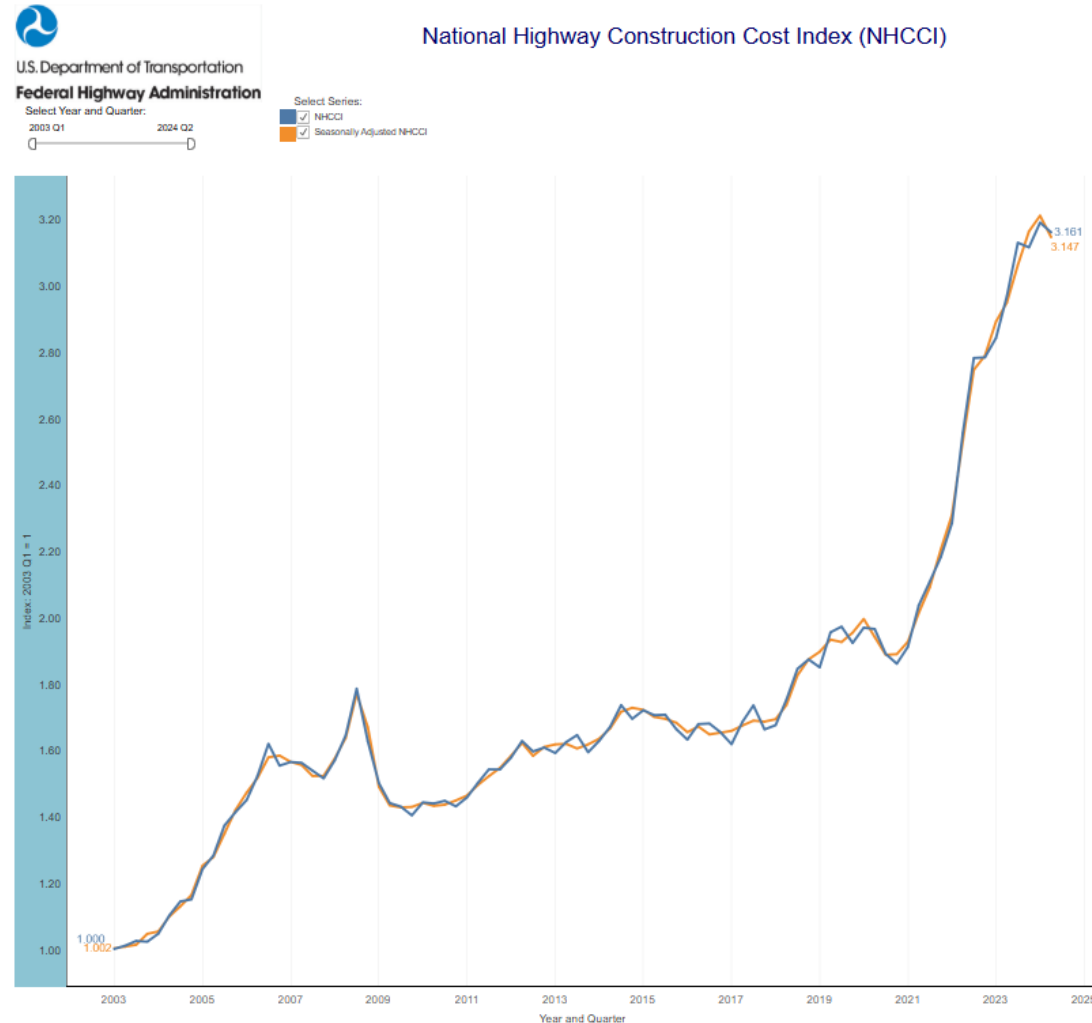


With recent construction cost escalation, the estimated deferred pavement maintenance has grown to \$1.2 billion



## Construction Cost Escalation

- Throughout the U.S., transportation project construction costs have risen dramatically since 2021.
- 65% increase from 2021 Q1 to 2025 Q1 per US DOT FHWA.





## Construction Cost Escalation

- National index from US DOT: 65% increase over four years
- Construction cost inflation varies by region
- 2021 and 2022 City of Fresno street repaving projects
  - Chestnut Avenue, Herndon to Bullard: \$1,904,754 or \$273,700 per lane-mile
  - Abby Street, Divisadero to Olive: \$879,984 or \$293,300 per lane-mile
  - First Street, Hazelwood to Tulare: \$899,025 or \$321,000 per lane-mile
- 2025 City of Fresno repaving projects (approximately double the cost)
  - Herndon Avenue, Valentine to Marks: \$992,655 or \$501,300 per lane-mile
  - Peach Avenue, SR-180 to McKinley Ave: \$1,936,880 or \$663,300 per lane-mile



# Pave More Now, Pay Later – Year One

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Council District	Location	Miles	PCI (Avg)	DPW Proposed*	Council Proposed
1	Ashlan-Hughes-Griffith-Marks	1.10	30	-	\$1,791,000
1	Ashlan-West to Fruit	0.50	31	\$2,002,000	\$2,002,000
1 & 2	Shaw-Blythe to Brawley (WB) + Shaw-Brawley to Marks	1.50	45	-	\$5,766,000
1 & 3	Shields-Brawley to Parkway	1.07	29	-	\$3,750,000
1,3 & 7	Clinton-Weber to Maroa	1.92	38	\$7,000,000	-
2	Nees-Ingram to Blackstone	0.60	35	\$2,000,000	-
2	Polk-Herndon to Bullard	1.00	30	\$4,411,000	\$4,411,000
3	CCB-MLK-Belgravia-Fairview (Belgravia Included)	0.72	24	\$1,131,200	-
3	Church-Kirk-Jensen-Elm.	2.79	40	\$5,779,200	-
3	Kearney Frontage NE and SW sections	1.20	36	-	\$1,560,000
3	South of Downtown Industrial (Red Priority)	1.57	22	-	\$4,800,000
4	Ashlan-168 to Winery	0.80	28	\$4,000,000	\$4,000,000
4	Dakota-Cedar to Maple	0.50	47	-	\$1,503,000
4 & 7	McKinley-Peach to Clovis	1.00	47	\$3,069,000	\$3,069,000
5	CCB-Orange to Cedar	0.50	35	\$2,450,000	\$2,450,000
5	Cedar-CCB to California	1.00	30	\$2,827,000	\$2,827,000
5	Winery-CCB to Butler	0.50	33	\$1,200,000	\$1,200,000
5 & 7	Sixth-Tulare to CCB	0.50	42	\$1,375,000	-
6	First-Sierra to Bullard	0.50	43	\$1,710,000	\$1,710,000
6	Perrin-Champlain to Sommerville	1.41	49	\$4,760,000	\$4,760,000
7	Belmont-First to Cedar	1.02	47	\$3,690,000	-
7	Chestnut-McKinley to Olive	0.50	51	\$2,101,000	-
7	Floradora-Millbrook-Olive-First (Bond Excluded)	2.25	48	-	\$3,722,000
7	McKenzie-Winery-Tulare-Chestnut	0.99	26	-	\$1,923,000
				<b>\$49,505,400</b>	<b>\$51,244,000</b>

\*Based on PCI and project implementation consideration



# Pave More Now, Pay Later – Year Two

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Council District	Location	Miles	PCI (Avg)	DPW Proposed*	Council Proposed
1	Indianapolis-Cornelia-Ashlan-Ellendale	3.00	33	\$5,631,000	\$5,631,000
1	Ashlan-Hughes-Griffith-Marks	1.10	30	\$1,791,000	-
2	Herndon-Palm-Fremont-Fruit	1.96	36	\$3,157,000	\$3,157,000
2	Figarden-Santa Fe to Valentine	1.00	50	\$4,133,000	\$4,133,000
3	South of Downtown Industrial (Orange Priority)	1.15	13	-	\$3,010,000
3	Kearney-Thorne-Myers-Fruit (Myers Included)	1.27	39	-	\$2,934,000
3	Kearney-Merced-Thorne Triangle	1.88	29	\$2,943,600	-
3	Fresno-U St-Tulare-Q St (R and Q St NOT included)	0.58	38	\$1,290,000	-
3	Elm-California-Kirk-Church P1 RCR and North of RCR	1.04	36	\$1,807,000	-
3	Belmont-Calaveras-Divisadero-San Pablo	1.88	49	-	\$1,277,000
3	Belgravia-Fairview-Church-Walnut	0.86	23	\$1,449,000	-
4	Santa Ana-First-Gettysburg-Augusta	1.33	25	\$2,143,000	\$2,143,000
4	Fresno-Gettysburg to Ashlan	0.50	47	\$1,446,000	\$1,446,000
4	First-Bullard to Barstow	0.50	46	\$1,770,000	\$1,770,000
4	First-Barstow to Shaw	0.50	33	-	\$1,738,000
4	Dakota-Cedar to Maple	0.50	47	\$1,503,000	-
5	Fowler-Belmont to Tulare	0.50	48	\$1,742,000	\$1,742,000
5	Belmont-Fowler-Illinois-Fordham	2.32	26	\$5,200,000	\$5,200,000
6	Sierra-Fourth-Escalon-First	1.08	13	\$1,791,000	\$1,791,000
6	Palo Alto-Willow-Sierra-Chestnut	1.61	22	\$1,531,000	-
6	Nees-Cedar to Maple	0.50	45	\$2,277,000	\$2,277,000
6	Cedar-Sierra to Bullard	0.50	43	\$1,446,000	\$1,446,000
6	Cedar-Herndon to Sierra	0.50	39	-	\$1,590,000
7	Nevada-Peach-Iowa-Sylmar	0.49	38	\$1,170,000	-
7	Fresno-Clinton to McKinley	0.50	33	\$2,107,000	-
7	Chestnut-Belmont to CCB	1.00	37	\$4,167,000	-
7	Belmont-Sixth-Tulare-First	4.89	50	-	\$7,471,000
				<b>\$50,494,600</b>	<b>\$48,756,000</b>

\*Based on PCI and project implementation consideration



