

Debt Obligations

Under the direction of the Chief Financial Officer, with attention to current economic conditions and funding needs, the City executes debt instruments, administers debt proceeds, manages ongoing disclosure and debt compliance, and makes timely debt service payments. Reliance on bond instruments is an equitable means of financing projects and represents an important component of the City's Five-Year Financial Outlook for the General Fund and the Public Utilities Department's capital planning for meeting the City's infrastructure needs.



City of San Diego's existing long term debt obligations¹

Projected Outstanding Principal as of June 30, 2010

- General Obligation Bonds: \$4.3 million
- General Fund backed Lease-Revenue Obligations: \$520.8 million
- Public Utilities - Water System Obligations: \$865.8 million
- Public Utilities - Wastewater System Obligations: \$1.2 billion

City of San Diego's General Obligation Bond Ratings as of June 2010

- Standard & Poor's: A, Stable Outlook
- Fitch Ratings: AA-, Stable Outlook
- Moody's Investors Service: Aa3, Stable Outlook

Public Utilities - Water and Wastewater Bond Ratings as of June 2010

Water (Senior/Subordinate)

- Standard & Poor's: AA-/A+, Stable Outlook
- Fitch Ratings: AA/AA-, Stable Outlook
- Moody's Investors Service: Aa2/Aa3, Stable Outlook

Wastewater

- Standard & Poor's: A+, Stable Outlook
- Fitch Ratings: AA, Stable Outlook
- Moody's Investors Service: Aa3, Stable Outlook

Under the California Constitution, the City may issue General Obligation Bonds subject to the approval of two-thirds of those voting on the bond proposition. General Obligation Bonds represent

¹ Does not reflect debt obligations of City Agencies (Redevelopment Agency and Housing Authority), Community Facilities Districts or Special Assessment Districts.

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an indebtedness of the City secured by its full faith and credit. An ad valorem (value-based) tax on real property is levied to pay principal and interest on General Obligation Bonds.

Lease Revenue Bonds and Certificates of Participation are lease obligations secured by an installment sale agreement or by a lease-back arrangement with a public entity, where the general operating revenues are pledged to pay the lease payments, and in turn are used to pay debt service on the bonds or Certificates of Participation. These obligations do not constitute indebtedness under the State constitutional debt limitation, and therefore are not subject to voter approval. Payments to be made under valid leases are payable only in the year in which use and occupancy of the leased property is available, and lease payments may not be accelerated. The governmental lessee is obligated to place in its annual budget the rentals that are due and payable during each fiscal year the lessee has use of the leased property.

Revenue Bonds are payable solely from net or gross non-ad valorem tax revenues derived from General Fund revenues, tax increment revenues, rates or tolls, fees, charges, or rents paid by users of the facility constructed with the proceeds of the bond issue.

Table 1 summarizes the City's projected outstanding long-term bond obligations as of June 30, 2010, and the projected debt/lease payment for each outstanding issuance for Fiscal Year 2011.

Table 1: Summary of Debt Obligations

		Principal Outstanding as of 6/30/2010	Projected FY 2011 Debt/ Lease Payment	Final Maturity	Primary Funding Source
General Obligation Bonds					
1991	San Diego General Obligation Bonds (Public Safety Communications Project)	\$ 4,340,000	\$ 2,318,785	FY 2012	Property Tax
Subtotal General Obligation Bonds		\$ 4,340,000	\$ 2,318,785		
General Fund Backed Lease-Revenue Obligations					
Certificates of Participation					
1996A	Certificates of Participation Balboa Park/Mission Bay Park Improvements Program	\$ 3,435,000	\$ 3,531,180	FY 2011	Transient Occupancy Tax
2003	1993 Balboa Park/Mission Bay Park Improvements Program Refunding Certificates of Participation	\$ 8,195,000	\$ 756,464	FY 2024	Transient Occupancy Tax
Lease Revenue Bonds					
1998	Convention Center Expansion Authority	\$ 162,545,000	\$ 13,698,088	FY 2028	Transient Occupancy Tax & Port Authority Contribution
2002B	Fire and Life Safety Facilities Project	\$ 21,730,000	\$ 1,626,945	FY 2032	Safety Sales Tax
2003	1993 City/MTDB Authority Refunding - Old Town Trolley Extension	\$ 11,445,000	\$ 1,156,324	FY 2023	Transient Occupancy Tax

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Table 1: Summary of Debt Obligations (Cont'd)

		Principal Outstanding as of 6/30/2010	Projected FY 2011 Debt/ Lease Payment	Final Maturity	Primary Funding Source
2007A	Ballpark Refunding Bonds	\$ 145,840,000	\$ 11,318,250	FY 2032	Redevelopment Agency (Centre City Development Corporation)
2010A	Master Refunding Bonds ¹	\$ 167,635,000	\$ 10,391,239	FY 2040	General Fund, Stadium, & Transient Occupancy Tax
Subtotal General Fund Backed Lease-Revenue Obligations		\$ 520,825,000	\$ 42,478,490		
Total General Fund Obligations		\$ 525,165,000	\$ 44,797,275		
Public Utilities - Wastewater and Water System Obligations²					
Wastewater System Obligations					
2009A	Sewer Revenue Bonds	\$ 446,965,000	\$ 28,984,444	FY 2039	Net Wastewater System Revenues
2009B	Sewer Revenue Refunding Bonds	\$ 598,430,000	\$ 65,003,288	FY 2025	Net Wastewater System Revenues
2010A	Sewer Revenue Refunding Bonds ³	\$ 161,930,000	\$ 8,501,325	FY 2029	Net Wastewater System Revenues
Total Wastewater System Obligations		\$ 1,207,325,000	\$ 102,489,057		
Water System Obligations					
2002	Subordinated Water Revenue Bonds	\$ 258,460,000	\$ 27,292,513	FY 2033	Net Water System Revenues
2009A	Water Revenue Bonds, Refunding Series 2009A	\$ 156,155,000	\$ 8,679,925	FY 2039	Net Water System Revenues
2009B	Water Revenue Bonds	\$ 328,060,000	\$ 21,736,381	FY 2040	Net Water System Revenues
2010A	Water Revenue Bonds ⁴	\$ 123,075,000	\$ 3,698,640	FY 2029	Net Water System Revenues
Total Water System Obligations		\$ 865,750,000	\$ 61,407,459		

¹ The 2010A Master Refunding Bonds refunded the outstanding short-term 2009A Deferred CIP Bonds, the 1996B Balboa Park/Mission Bay Park Refunding COPs and the 1996A Qualcomm Stadium Bonds.

² In addition to outstanding bonds, the Water and Wastewater Systems have outstanding State Revolving Fund (SRF) loan obligations. Currently, the Water System has one SRF loan; the principal outstanding as of 6/30/10 is estimated at \$17.6 million. The Wastewater System has 11 SRF loans; the principal and interest outstanding as of 6/30/10 is an estimated \$75.8 million.

³ The 2010A Sewer Revenue Refunding Bonds refunded the outstanding Sewer Revenue Bonds, Series 1995, Series 1997 A&B, and Series 1999 A&B.

⁴ The 2010A Water Revenue Bonds refunded the Water Certificates of Undivided Interest, Series 1998.

In addition to long-term debt obligations, the City issues annual Tax and Revenue Anticipation Notes (TRAN) in June to meet General Fund cash flow needs for the following fiscal year in anticipation of the receipt of property tax revenues later in the fiscal year.

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The City's **Equipment and Vehicle Financing Program** provides a mechanism for the lease purchases of essential equipment in addition to pay-as-you-go funding. The lease purchases are typically over a three- to ten-year term and based on useful life expectancy of the equipment. Some examples of purchases made using this mechanism include fire trucks and other public safety vehicles, refuse packers, service trucks, Fire and Police helicopters, telecommunications equipment for public safety

departments, and the City's Enterprise Resource Planning Project.

State Revolving Fund (SRF) Loans is a low interest loan program for the construction of water and wastewater infrastructure projects. SRF debt service payments are factored into debt service coverage ratios as defined by applicable water and wastewater bond indentures. Compared to traditional bond financings, the City may realize substantial savings from lower interest rates and shorter repayment terms of the SRF Loans. The loans are administered by the benefiting department. The Public Utilities department actively utilizes the SRF loan program to fund capital improvements in addition to traditional tax-exempt bond offerings.

Periodically, the City of San Diego Redevelopment Agency, Special Assessment or Community Facilities Districts, and the San Diego Housing Commission issue long-term bond obligations. The State Redevelopment Law gives the City of San Diego Redevelopment Agency administered by the City's Redevelopment Division, the Centre City Development Corporation (CCDC), and the Southeastern Economic Development Corporation (SEDC) the authority to issue Tax Allocation Bonds as a means for financing redevelopment projects. The **Tax Allocation Bonds** are secured by allocation of tax increment revenues collected within a redevelopment project area. The bonds are special obligations of the Redevelopment Agency and are not a debt of the City, the State, or any of their political subdivisions other than the Redevelopment Agency.

In addition to the long-term bond issuances, the City and the City of San Diego Redevelopment Agency have outstanding **Housing and Urban Development loan** obligations to be repaid from the future Community Development Block Grant entitlements and other sources of revenues.

Under various provisions of State law, the City has established several **Special Assessment or Community Facilities (Mello-Roos) Districts**. Such districts or the City, acting as a conduit issuer, have issued limited obligation bonds to finance infrastructure facilities and other public improvements necessary to facilitate development of the properties within each district. The bonds are secured solely by the properties in the district and are repaid through revenues generated by the annual levy of special assessments or special taxes on the benefiting properties. These bonds are not City obligations.

