

2014

PROPOSED BUDGET



Debt Obligations



City of San Diego

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, 2013

- General Fund backed Lease-Revenue Obligations: \$579.7 million
- Public Utilities - Water System Obligations: \$776.3 million
- Public Utilities - Wastewater System Obligations: \$1.07 billion

Issuer Rating/General Fund Lease Obligations Ratings as of March 2013

- Standard & Poor's: AA-/A+, Stable Outlook
- Fitch Ratings: AA-/A+, Stable Outlook
- Moody's Investors Service: Aa3/A2, Stable Outlook

Public Utilities - Water and Wastewater Bond Ratings as of March 2013

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

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 financing 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.

¹ Does not reflect debt obligations of City Agencies (including City as the Successor Agency to the Redevelopment Agency), Community Facilities Districts or Special Assessment Districts.

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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, 2013, and the projected debt/lease payment for each outstanding issuance for Fiscal Year 2014.

Table 1: Summary of Debt Obligations

		Projected Principal Outstanding 6/30/2013	Projected FY 2014 Debt/Lease Payment	Final Maturity	Primary Funding Source
General Fund Lease Revenue Obligations					
Certificates of Participation					
2003	1993 Balboa Park/Mission Bay Park Improvements Program Refunding Certificates of Participation	\$ 6,745,000	\$ 752,559	FY 2024	Transient Occupancy Tax
Lease Revenue Bonds					
2003	1993 City/MTDB Authority Refunding - Old Town Trolley Extension	\$ 9,280,000	\$ 1,152,299	FY 2023	Transient Occupancy Tax
2007A	Ballpark Refunding Bonds	\$ 134,090,000	\$ 11,315,750	FY 2032	Transient Occupancy Tax
2010A	Master Refunding Bonds ¹	\$ 160,275,000	\$ 12,999,675	FY 2040	General Fund, Stadium, Transient Occupancy Tax, & Capital Outlay
2011	Qualified Energy Conservation Bonds (Broad Spectrum Street Lighting Project) ²	\$ 11,636,182	\$ 1,490,060	FY 2026	Street Light Energy and Maintenance Cost Savings
2012A	Convention Center Expansion Financing Authority Lease Revenue Refunding Bonds	\$ 133,030,000	\$ 12,557,450	FY 2028	Transient Occupancy Tax, Port Authority Contribution, General Fund
2012A	Deferred CIP Lease Revenue Bonds	\$ 71,410,000	\$ 4,595,375	FY 2042	General Fund & Capital Outlay
2012B	Fire & Life Safety Refunding Bonds ³	\$ 18,405,000	\$ 1,380,219	FY 2032	Safety Sales Tax
2013A	General Fund CIP Bonds ⁴	\$ 34,780,000	\$ 2,000,000	FY 2043	General Fund
Total General Fund Lease Revenue Obligations		\$ 579,651,182	\$ 48,243,387		
Public Utilities - Wastewater and Water System Obligations⁵					
Wastewater System Obligations					
2009A	Sewer Revenue Bonds	\$ 410,240,000	\$ 36,280,481	FY 2039	Net Wastewater System Revenues
2009B	Sewer Revenue Refunding Bonds	\$ 502,185,000	\$ 57,701,738	FY 2025	Net Wastewater System Revenues
2010A	Sewer Revenue Refunding Bonds	\$ 161,930,000	\$ 8,501,325	FY 2029	Net Wastewater System Revenues

Debt Obligations

Table 1: Summary of Debt Obligations

		Projected Principal Outstanding 6/30/2013	Projected FY 2014 Debt/Lease Payment	Final Maturity	Primary Funding Source
Total Wastewater System Obligations		\$ 1,074,355,000	\$ 102,483,544		
Water System Obligations					
2009A	Water Revenue Bonds	\$ 152,735,000	\$ 8,680,375	FY 2039	Net Water System Revenues
2009B	Water Revenue Bonds	\$ 311,870,000	\$ 21,734,356	FY 2040	Net Water System Revenues
2010A	Water Revenue Bonds	\$ 123,075,000	\$ 6,310,475	FY 2029	Net Water System Revenues
2012A	Subordinated Water Revenue Bonds	\$ 188,610,000	\$ 25,394,350	FY 2033	Net Water System Revenues
Total Water System Obligations		\$ 776,290,000	\$ 62,119,556		
McGuigan Settlement					
2010	McGuigan Settlement Modification	\$ 17,001,411	\$ 8,993,762	FY 2015	General Fund and Misc. Special Funds

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

² Lease payments for the Qualified Energy Conservation Bonds are partially offset by direct cash subsidy payments from the federal government annually over the life of the bonds. The FY 2014 subsidy is assumed to be \$399,350 resulting in a net lease payment of \$1,090,710 after accounting for the subsidy. The assumed FY 2014 subsidy amount reflects a reduction from the original expected subsidy amount of 8.7%, as realized in FY 2013 as a result of the federal sequestration on tax credit bond payments.

³ The 2002B Fire and Life Safety Facilities Project Bonds were refunded with the issuance of the 2012B Fire and Life Safety Facilities Refunding Bonds on July 3, 2012.

⁴ Estimates; subject to City Council approval, the 2013A General Fund CIP Lease Revenue Bonds are expected to be issued in June 2013 to fund \$35 million in new CIP projects.

⁵ In addition to bonds, the Water and Wastewater Systems have outstanding State Revolving Fund (SRF) loan obligations. The Water System SRF loans have a projected outstanding principal loan balance as of June 30, 2013 of approximately \$79.6 million. The Wastewater System SRF loans have a projected outstanding principal loan balance as of June 30, 2013 of approximately \$156.6 million.

In addition to long-term debt obligations, annually the City issues Tax and Revenue Anticipation Notes (TRANS) 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. On July 2, 2012, the City issued \$100.7 million in Tax and Revenue Anticipation Notes to meet the cash flow needs of Fiscal Year 2013.

The City's **Equipment and Vehicle Financing Program** provides a mechanism for the lease purchase of essential equipment in addition to pay-as-you-go funding. The term of the lease purchases are typically over a three- to ten-year term and based on useful life expectancy of the equipment. As of June 30, 2013, the projected outstanding principal for various lease purchase obligations is estimated at \$73.7 million. These purchases span various lease terms and cover a variety of essential purpose assets. Examples of the equipment include: fire trucks, refuse packers, service trucks, IT Equipment, Automated Water Meter Infrastructure, GPS equipment, fire and police helicopters, and the City's Enterprise Resource Planning System.

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.

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Special Assessment and Community Facilities (Mello-Roos) Districts

Under various provisions of State law, the City has established several **Special Assessment and 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 the fiscal obligations of the City.