



THE CITY OF SAN DIEGO
MANAGER'S REPORT

DATE ISSUED: September 10, 2003 REPORT NO. 03-180

ATTENTION: Honorable Mayor and City Council
Docket of September 15, 2003

SUBJECT: Refunding of the San Diego Open Space Park Facilities District No. 1
General Obligation Bonds Refunding Series 1994

SUMMARY

Issues -

1. Should the City Council adopt an ordinance authorizing the issuance of Refunding General Obligation Bonds (the "2003 Refunding Bonds") in an amount not to exceed \$36 million and approve related financing documents for the purpose of refunding a portion of the San Diego Open Space Facilities District No. 1 General Obligation Bonds Refunding Series 1994 (the "1994 Refunding Bonds"), including Bond Refunding Resolution and Ordinance, Continuing Disclosure Agreement, Escrow Agreement, Paying Agent Agreement, and related documents?
2. Should the City Council authorize the application of the two-thirds portion of the Environmental Growth Fund monies, pledged by the City of San Diego, to pay the principal of and interest on the 2003 Refunding Bonds and the levy of a tax on behalf of the San Diego Open Space Park Facilities District No.1 (the "District") in the event that monies pledged by the City of San Diego are insufficient?

Manager's Recommendations -

1. Adopt an ordinance authorizing the issuance of the 2003 Refunding Bonds in an amount not to exceed \$36 million and approve related financing documents for the purpose of refunding a portion of the 1994 Refunding Bonds, including Bond Refunding Resolution and Ordinance, Continuing Disclosure Agreement, Escrow Agreement, Paying Agent Agreement, and related documents;

2. Adopt an ordinance authorizing the application of the two-thirds portion of the Environmental Growth Fund monies, pledged by the City of San Diego, to pay the principal of and interest on the 2003 Refunding Bonds and the levy of a tax on behalf of the District in the event that monies pledged by the City of San Diego are insufficient.

Other Recommendations - None

Fiscal Impact - Based on current market conditions, refunding a portion of the 1994 Refunding Bonds is expected to generate total savings of approximately \$2.8 million over a 6 year period through Fiscal Year 2009. The average annual debt service for the 2003 Refunding Bonds is estimated to be \$6.9 million, approximately \$508,000 lower than the debt payments for the 1994 Refunding Bonds in Fiscal Years 2005 - 2009. It is estimated that the Fiscal Year 2004 debt service savings would be \$232,000. However, before any determination regarding the disposition of these funds is made, it is recommended that the City wait for the annual reconciliation of franchise fee payments to be completed in March 2004.

All related costs of issuance, including, but not limited to, financial advisor, underwriting, bond counsel, verification, escrow, and paying agent fees, and costs to prepare the official statement would be reimbursed from the 2003 Refunding Bond proceeds.

BACKGROUND

In 1977, the City Council adopted the San Diego Open Space Park Facilities District Procedural Ordinance and pursuant to the adoption of Resolution No. 220486 by the City Council in 1978, the City formed San Diego Open Space Park Facilities District No. 1. The District was formed for the purpose of acquiring open space properties to implement the Open Space Element of the City's General Plan benefiting all property within the City. The City Council established the Environmental Growth Fund, through a City Charter amendment, for the exclusive purpose of preserving and enhancing the environment of the City in whatever manner is deemed appropriate by the City Council. The City deposits 25% from a 3% franchise fee on San Diego Gas and Electric revenues for the transmission and distribution of gas, electricity, and steam within the City to the Environmental Growth Fund (this does not apply to any franchise fee revenues related to the undergrounding of electric utilities).

The City Charter section 103.1a provides that two-thirds of the Environmental Growth Fund shall be used exclusively to pay principal and interest on bonds of any nature issued for the acquisition of open space lands. The remaining one-third of the Environmental Growth Fund shall be used for the purpose of preserving and enhancing the environment and shall be allocated to operations and maintenance costs. If there are no outstanding bonds or if two-thirds of the monies paid into the Environmental Growth Fund exceed the amount necessary to service any outstanding bonds issued for the above purposes in any fiscal year, then those monies shall be used exclusively for the purpose of preserving and enhancing the environment of the City in whatever manner is deemed appropriate by the City Council. The Municipal Code section 63.30 is more restrictive and provides that the two-thirds portion of