FISCAL YEAR **2027**

# VOLUME 1
## Debt Obligations


The City of SAN DIEGO

# ADOPTED BUDGET

MAYOR
TODD GLORIA

HOUSING | PROTECT & ENRICH | INFRASTRUCTURE | SUSTAINABILITY | PROSPERITY

# Debt Obligations

Under the direction of the Chief Financial Officer, with attention to current economic and municipal bond market conditions, priority funding needs, revenue capacity for repayment, and debt affordability, the City executes debt instruments, administers debt proceeds, manages ongoing disclosure and debt compliance, and makes timely debt service payments. As described in the City's Five-Year Capital Infrastructure Planning Outlook, the City's needs include projects that address life, safety, regulatory requirements, and legally mandated needs, or could impact the core operation of a critical facility or asset, as well as others that can improve the quality of life of residents. Close coordination of capital planning and debt planning ensures that maximum benefits are achieved with limited capital funds. Reliance on short-term and long-term financing instruments can facilitate better allocation of resources and increased financial flexibility to meet the City's infrastructure funding needs.

## City of San Diego's Outstanding Debt Obligations[1]

## Long Term Bond Obligations

**Lease Revenue Bonds** are lease obligations secured by a lease-back arrangement with a public entity, in which the entity's general operating revenues are pledged to make lease payments that, in turn, pay the debt service on the bonds. These obligations do not constitute indebtedness under the State constitutional debt limitation and are not subject to voter approval.

Payments under valid financing leases are payable only in the year in which usage and occupancy of the leased property is available, and lease payments may not be accelerated. The governmental lessee is obligated to include in its annual budget the lease payments due and payable during each Fiscal Year (FY) in which the lessee has use of the leased property. Lease Revenue Bonds are primarily used to finance General Fund capital projects.

**Revenue Bonds** are obligations payable from revenues generated by an enterprise activity, such as water or wastewater utilities, public golf courses, or parking facilities. The City's outstanding utility Revenue Bonds are payable solely from the City's Water or Wastewater Enterprise Funds and are not secured by any pledge of ad valorem taxes or General Fund revenues.

## Other Outstanding Debt Obligations

**Federal and State Infrastructure Loans** are an important funding source for capital projects in addition to bonds. State Revolving Funds (SRF) and the federal Water Infrastructure Finance and Innovation Act (WIFIA) programs provide low-cost, long-term loans to local agencies to fund certain public clean water and economic development infrastructure projects. The City is utilizing, or has applied for, SRF funding for various water, wastewater, and stormwater system projects. The City has secured WIFIA loans to finance the Water Utility portion of Phase 1 of the Pure Water Program and critical stormwater infrastructure improvements. Additionally, the City has secured a California Infrastructure and Economic Development Bank (I-Bank) loan to finance the City's organics processing facility.

**California Energy Resources Conservation and Development Commission (CEC) Loans** are energy conservation loans received for streetlight light-emitting diode retrofits. Repayments are made from the General Fund departments that benefit from the facility improvements.

**Capital Leases** are utilized by the City to finance various essential equipment and projects via lease-to-own or lease purchase agreements.

The City's Equipment and Vehicle Financing Program (EVFP) provides a mechanism for the lease-purchase of essential equipment and vehicles in addition to pay-as-you-go funding. The repayment terms of the lease purchases and capital leases are typically five to ten years and based on the useful life expectancy of the equipment or vehicles. These purchases include a variety of essential assets and span various lease terms. Examples include refuse packers, service trucks, Information Technology (IT) projects and equipment. In addition, from time to time, the City enters into capital leases via equipment vendors to finance eligible projects.

As part of the City's Climate Action Plan implementation and Council Policy 900-03: Zero Emissions Municipal Buildings and Operation Policy, the City executed its first Energy Savings Performance Contract with Willdan Energy Solutions and entered into a Tax-Exempt Equipment Lease Purchase (TELP) Agreement with Webster Bank to finance clean energy upgrades across 40 City-owned facilities and approximately 39,000 streetlights. Such upgrades include electrification of 23 buildings, the installation of 1.7 MW of solar generation, and nearly 4 MW of energy storage capacity across 16 buildings. The $112.0 million, 25-year TELP Agreement finances project construction, three years of post-construction operations and maintenance for the installed systems, and three years of performance verification to ensure the guaranteed energy savings are achieved.

## Short-term Interim Financings

**Commercial Paper Notes** provide an as-needed interim borrowing tool to meet the cash flow needs of capital improvement projects. These notes are issued on a short-term basis as capital spending occurs and are generally refinanced with long-term bonds.

In 2017, the City established a Water Revenue Commercial Paper Notes Program to finance Water Utility capital projects. Notes under this program mature within 270 days from issuance and hold short-term interest rates. Program costs and issuance expenses are paid by the Water Utility Fund. The City also established a General Fund Lease Revenue Commercial Paper Notes Program in 2018; however, as of July 1, 2025, the City elected to terminate the General Fund Commercial Paper Notes program.

**Tax and Revenue Anticipation Notes (TRANs)** were issued by the City on July 1, 2026 in a par amount of $332.0 million at a true interest cost of 2.34 percent, and will be repaid in full on June 30, 2027.

TRANs are short-term notes issued to finance the City's General Fund cash flow requirements in anticipation of receiving tax proceeds and other revenues later in the fiscal year. TRANs bridge timing mismatches and help maintain adequate liquidity for the City's operations. They are payable from and secured by a pledge of certain unrestricted General Fund revenues, including the first revenues received by the City during the fiscal year in which the notes are issued, and are repaid within the same fiscal year they are issued.

**Table 1: General Fund Credit Ratings as of June 2026** shows the Issuer Credit Ratings and credit ratings on outstanding General Fund Lease Revenue Bonds and the Stormwater WIFIA Loan.

### Table 1: General Fund Credit Ratings as of June 2026

| | Fitch Ratings | Moody's Investors Service | Standard & Poor's |
|---|---|---|---|
| Issuer Credit Rating | AA+ | Aa2 | AA |
| Outlook | Stable | Stable | Stable |
| Lease Revenue Bonds and Stormwater WIFIA Loan[2] | AA | Not Rated | AA- |
| Outlook | Stable | -- | Stable |

**Table 2: Summary of General Fund Debt Obligations** summarizes the City's projected outstanding General Fund debt obligations, as of June 30, 2026, and the projected debt service or lease payment for each outstanding issuance for Fiscal Year 2027.

**Table 2: Summary of General Fund Debt Obligations[3]**

| | | Principal Outstanding 6/30/2026 | FY 2027 Debt/Lease Payment | Final Maturity | Primary Funding Source |
|---|---|---|---|---|---|
| **Lease Revenue Bonds** | | | | | |
| 2020A | Convention Center Expansion Refunding Bonds | $23,380,000 | $12,097,115 | FY 2028 | Transient Occupancy Tax |
| 2021A | General Fund CIP Bonds | 109,640,000 | 7,226,475 | FY 2051 | General Fund |
| 2023A | General Fund CIP Bonds | 109,610,000 | 313,687 | FY 2053 | General Fund |
| 2024A | General Fund CIP Bonds and Refunding Bonds | 206,565,000 | 14,857,125 | FY 2055 | General Fund and Safety Sales Tax (2012B Refunding) |
| 2025 | Ballpark Refunding Bonds | 43,880,000 | 8,458,375 | FY 2032 | Transient Occupancy Tax |
| 2025A | General Fund CIP Bonds and Refunding Bonds | 608,700,000 | 44,192,613 | FY 2056 | General Fund |
| **Total Lease Revenue Bonds** | | **$1,101,775,000** | **$87,145,390** | | |
| **General Fund Supporting Capital Leases** | | | | | |
| | Equipment and Vehicle Financing Program | $106,263,026 | $27,590,253 | FY 2036 | Fleet Replacement Fund and General Fund |
| | Stormwater WIFIA Loan (total not to exceed $359.2 million) | 9,840,951 | 2,263,700 | FY 2062 | General Fund |
| | General Electric Street Lights | 8,980,064 | 1,652,635 | FY 2033 | General Fund |
| | IT Hardware | 2,230,421 | 1,219,597 | FY 2030 | General Fund |
| | TELP Agreement[4] | 112,322,766 | - | FY 2050 | General Fund |
| **Total General Fund Supported Capital Leases** | | **$272,796,277** | **$32,726,185** | | |
| **CEC Loans** | | | | | |
| | CEC Loans | $342,764 | $162,364 | FY 2029 | General Fund |
| **Total CEC Loans** | | **$342,764** | **$162,364** | | |

## Debt Ratio

As outlined in the City's Debt Policy, an important metric that is actively monitored by the Department of Finance is the City's General Fund debt position as a percentage of total General Fund revenues, known as the Debt Ratio. This analysis includes the annual debt service and base rental payments for all General Fund-backed fixed obligations of the City such as lease revenue bonds and capital leases. The analysis excludes debt liabilities of related agencies, debt supported by rates and user charges such as enterprise fund-backed revenue bonds, and revenue securitizations such as tobacco settlement bonds. Moreover, since TRANs are issued and repaid within the same fiscal year, the related debt service is not included in the City's Debt Ratio calculation.

Generally, the City strives to maintain a Debt Ratio below 10.0 percent. Additionally, the City strives to maintain a ratio of short-term annual debt service (debt that matures in 10 years or less) to General Fund revenues below 2.0 percent.

In addition to the Debt Ratio analysis, the City also accounts for pension and Other Post-Employment Benefits (OPEB) costs, which are significant non-discretionary General Fund costs, when calculating the City's overall debt burden (Pension/OPEB Ratio). Taken together, the City strives to maintain the combined Debt Ratio and Pension/OPEB Ratio below 25.0 percent.

In accordance with Section 4.2 of the City's Debt Policy, a debt capacity analysis was undertaken in conjunction with the Fiscal Year 2027 Adopted Budget. Current projections show the General Fund Debt

Ratio and Pension/OPEB Debt Ratio reaching highs of 7.3 percent and 24.6 percent, respectively, over the current Five-Year Financial Outlook period (FY 2027 – 2031).

Additional capital financing needs, reductions in General Fund revenues, and/or increases in pension payments would adversely affect the debt ratios. For more information about debt affordability guidelines, please see the City's Debt Policy.

## Enterprise Funds

**Table 3: Enterprise Fund Credit Ratings as of June 2026** shows the City's credit ratings on outstanding Enterprise Fund Revenue Bonds and the Water Utility's WIFIA loans.

### Table 3: Enterprise Fund Credit Ratings as of June 2026

| | Fitch Ratings | Moody's Investors Service | Standard & Poor's |
|---|---|---|---|
| Wastewater System Bonds (Senior Bonds)<br>Outlook | AA<br>Negative | Not Rated<br>-- | AA+<br>Stable |
| Wastewater System Bonds (Subordinate Bonds)<br>Outlook | AA<br>Negative | Not Rated<br>-- | AA<br>Stable |
| Water System Bonds (Senior Bonds)<br>Outlook | AA-<br>Negative | Aa3<br>Stable | Not Rated<br>-- |
| Water System Bonds (Subordinate Bonds)<br>Outlook | AA-<br>Negative | A1<br>Stable | Not Rated<br>-- |
| WIFIA Loans (Subordinate Debt)<br>Outlook[5] | AA-<br>Negative | Not Rated<br>-- | Not Rated<br>-- |

**Table 4: Summary of Enterprise Fund Debt Obligations** summarizes the City's projected outstanding Enterprise Fund debt obligations, as of June 30, 2026, and the projected debt payment for each outstanding issuance for FY 2027.

### Table 4: Summary of Enterprise Fund Debt Obligations[3]Error! Bookmark not defined.

| | | Principal Outstanding 6/30/2026 | FY 2027 Debt/Lease Payment | Final Maturity | Primary Funding Source |
|---|---|---|---|---|---|
| **Sewer Revenue Bonds, Notes, and State Loans** | | | | | |
| 2022A | Sewer Revenue Bonds | $157,275,000 | $10,943,750 | FY 2052 | Net Wastewater System Revenues |
| 2024A | Sewer Revenue Bonds | 259,185,000 | 17,399,250 | FY 2054 | Net Wastewater System Revenues |
| 2026A & 2026B | Sewer Revenue Bonds & Refunding Bonds[6] | 495,280,000 | 67,923,534 | FY 2056 | Net Wastewater System Revenues |
| | Sewer State Revolving Fund Loans | 541,257,207 | 10,803,144 | FY 2056 | Net Wastewater System Revenues |
| **Total Sewer Revenue Bonds, Notes, and State Loans** | | **$1,452,997,207** | **$107,069,678** | | |
| **Water Revenue Bonds and Federal and State Loans** | | | | | |
| 2016A | Subordinated Water Revenue Bonds[7] | $33,170,000 | $2,611,050 | FY 2046 | Net Water System Revenues |
| 2016B | Subordinated Water Revenue Refunding Bonds[7] | 274,030,000 | 42,030,125 | FY 2040 | Net Water System Revenues |
| 2018A | Subordinated Water Revenue Bonds | 211,990,000 | 16,023,675 | FY 2048 | Net Water System Revenues |
| 2020A | Senior Water Revenue Bonds | 195,710,000 | 12,416,550 | FY 2050 | Net Water System Revenues |

| | | Principal Outstanding 6/30/2026 | FY 2027 Debt/Lease Payment | Final Maturity | Primary Funding Source |
|---|---|---|---|---|---|
| 2020B | Senior Water Revenue Refunding Bonds[7] | 64,440,000 | 9,932,504 | FY 2033 | Net Water System Revenues |
| 2023A | Senior Water Revenue Bonds | 215,965,000 | 14,184,838 | FY 2053 | Net Water System Revenues |
| 2025A | Senior Water Revenue Bonds | 233,525,000 | 15,922,375 | FY 2056 | Net Water System Revenues |
| 2026A | Senior Water Revenue Bonds[8] | - | 4,000,000 | FY 2057 | Net Water System Revenues |
| | Water State Revolving Fund Loans (total not to exceed $302 million) | 71,249,662 | 9,978,368 | FY 2059 | Net Water System Revenues |
| | Water State Revolving Fund Loans (total not to exceed $733.5 million) | 634,397,048 | 12,118,500 | FY 2059 | Net Water System Revenues |
| **Total Water Revenue Bonds and Loans** | | **$1,934,476,710** | **$139,217,985** | | |
| **Water Revenue Commercial Paper Notes** | | | | | |
| | Subordinated Water Revenue Commercial Paper Notes Program (not to exceed $250 million)[7,9] | $129,540,000 | $3,000,000 | -- | Net Water System Revenues |
| **Total Water Revenue Commercial Paper Notes** | | **$129,540,000** | **$3,000,000** | | |
| **Refuse Disposal Enterprise Fund Loans** | | | | | |
| | I-Bank Loan[10] | $35,763,369 | $2,886,151 | FY 2044 | Net Refuse Disposal System Revenues |
| **Total Refuse Disposal Enterprise Fund Loans** | | **$35,763,369** | **$2,886,151** | | |
| **Enterprise Fund Supported Capital Leases** | | | | | |
| | Environmental Services – Vehicles Lease | $15,523,851 | $4,177,927 | FY 2031 | Solid Waste Management Fund |
| | Environmental Services – Refuse and Recycling Bins Lease | 9,890,660 | 3,562,497 | FY 2036 | Solid Waste Management Fund |
| **Total Enterprise Fund Support Capital Leases** | | **$25,414,511** | **$7,740,424** | | |

[1] Does not reflect debt obligations of City related entities (examples include City as the Successor Agency to the Redevelopment Agency, Community Facilities Districts, and Assessment Districts). See the City's FY 2025 Annual Comprehensive Financial Report for a complete list of outstanding liabilities of the City and its related entities.
[2] Only Fitch Ratings rates the Stormwater WIFIA Loan.
[3] Principal Outstanding and Debt/Lease Payments are based on established debt service schedules. If debt service schedules are not yet available, Principal Outstanding and Debt/Lease Payments are based on projections at the time of document publication and are subject to change.
[4] In April 2026, the City executed a $112 million, 25-year Tax-Exempt Equipment Lease Purchase (TELP) Agreement with Webster Bank to finance clean energy upgrades at 40 City-owned facilities and approximately 39,000 streetlights as part of its Energy Savings Performance Contract.
[5] In addition to the ratings reflected in this table, the Water System's 2020 Senior Bonds are rated by Kroll Bond Rating Agency with an AA Rating and a Stable outlook as of June 2026 and the Water System's Subordinated Pure Water WIFIA Loans are rated by Kroll Rating Agency with an AA- Rating and a Stable outlook as of June 2026.
[6] In May 2026, the City issued the Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds, Series 2026A and Series 2026B in one or more series to refund the 2015 and 2016A Sewer Revenue Refunding Bonds, to achieve debt service savings (subject to market conditions).
[7] In July 2026, the City anticipates issuing Public Facilities Financing Authority of the City of San Diego 2026A Water Revenue Bonds ("2026A Water Revenue Bonds") to partially refund the 2016A, 2016B, and 2020B Water Revenue Bonds to achieve debt

service savings and to pay down a portion of the outstanding Water Revenue Commercial Paper Notes. The 2016B and 2020B Water Revenue Bonds will be fully paid off on August 1, 2026, and $111.2 million of Commercial Paper Notes will be paid down on July 15, 2026.

[8] In July 2026, the City plans to issue the 2026A Water Revenue Bonds with debt service payments to begin in FY 2027.

[9] Figures do not include estimated fees of $1.1 million, which are required for Water Revenue Commercial Paper Notes Program operation.

[10] I-Bank Loan for the construction of an Organic Waste Processing Facility. Debt service payments are paid directly from the Refuse Disposal Enterprise Fund.