



Adopted Budget  
Fiscal Year  
**2020**



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# Debt Obligations

Under the direction of the Chief Financial Officer, with attention to current economic and municipal bond market 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 short term and long-term financing instruments can facilitate better allocation of resources and increased financial flexibility 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 Outstanding Long-Term Debt Obligations<sup>1</sup>

### *Outstanding Principal as of June 30, 2019*

- General Fund backed Lease-Revenue Bonds: \$523.7 million
- Public Utilities - Wastewater (Sewer) System Bonds and Loans: \$824.4 million
- Public Utilities - Water System Bonds and Loans: \$928.8 million

**Table 1: Credit Ratings as of June 2019**

	Fitch Ratings	Moody's Investors Service	Standard & Poor's
<b>General Fund Bond Obligations</b>			
Implied General Obligation/Issuer Credit Rating	AA	Aa2	AA
Outlook	Stable	Stable	Positive
Lease Revenue Bonds	AA-	Not Rated	AA-
Outlook	Stable	--	Positive
<b>Public Utilities Bond Obligations</b>			
Wastewater System Bonds (Senior Bonds)	AA	Aa2	AA+
Outlook	Stable	Stable	Stable
Water System Bonds (Subordinate Bonds)	AA-	Aa3	Not Rated
Outlook	Stable	Stable	--

## Long Term Bond Obligations

**Lease Revenue Bonds** are lease obligations secured 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. These obligations do not constitute indebtedness under the State constitutional debt limitation and are not subject to voter approval. Payments to be made 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 place in its annual budget the rentals that are due and payable during each fiscal year the lessee has use of the leased property.

<sup>1</sup> 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. See the City's Fiscal Year 2018 Comprehensive Annual Financial Report for a complete list of outstanding liabilities of the City and its related agencies.



**Revenue Bonds** are obligations payable from revenues generated by an enterprise, 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 by the City.

### **Other Short and Long-Term Debt Instruments**

**Federal and State Infrastructure Loans** are an important funding source for capital projects in addition to the bond proceeds. State Revolving Funds (SRFs) and the Water Infrastructure Finance and Innovation Act (WIFIA) program make low cost loans available to local agencies to fund certain public infrastructure projects. The City has utilized low cost SRF funding for various water and wastewater projects. In November 2018, the City secured the WIFIA Loan in an amount totaling \$614.0 million for the Water Utility portion of Phase I of the Pure Water Program. The repayment terms of the loans range from 20 to 40 years depending on the loan criteria and useful life of the projects receiving funding.

**Commercial Paper Notes** provide an as needed borrowing tool to meet the cash flow needs of capital improvement projects. Commercial paper notes are issued on a short-term basis as capital project spending occurs. Note maturity ranges between one and six months and up to 270 days, and the notes hold short-term rates of interest. Commercial Paper obligations are ultimately refinanced with long term debt.

- Water Commercial Paper Note Program (not-to-exceed \$250.0 million at any time) – In 2017, the City established a Water Revenue Commercial Paper Notes Program, which is utilized to finance Water Utility capital projects. The program costs and issuance expenses are paid by the Water Utility Fund.
- General Fund Commercial Paper Note Program (not-to-exceed \$88.5 million at any time) – In 2018, the City established a General Fund Lease Revenue Commercial Paper Note Program. This program is utilized to finance General Fund capital projects and program costs, and interest expenses are paid by the General Fund.

**Capital Leases** are utilized by the City to finance various 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/vehicles in addition to pay-as-you-go funding. The repayment terms of the lease purchases or capital leases are typically five to ten years and based on the useful life expectancy of the equipment/vehicles. These purchases include a variety of essential assets and span various lease terms. Examples include fire trucks, refuse packers, service trucks, Information Technology (IT) projects and equipment, and public safety helicopters. In addition, the City from time to time will enter into capital leases via equipment vendors to finance eligible projects, and lease-to-own agreements to acquire buildings for City operations.

**Table 2: Summary of Debt Obligations** summarizes the City's outstanding debt obligations as of June 30, 2019, and the projected bond debt/lease payment for each outstanding issuance for Fiscal Year 2020.

**Table 2: Summary of Debt Obligations**

		Principal Outstanding 6/30/2019	Projected FY 2020 Debt/Lease Payment	Final Maturity	Primary Funding Source
<b>General Fund Bonds, Capital Leases, and Commercial Paper Note Obligations</b>					
<b>Lease Revenue Bonds</b>					
2011	Qualified Energy Conservation Bonds (Broad Spectrum Street Lighting Project) <sup>1</sup>	\$ 6,707,716	\$ 1,304,769	FY 2026	Street Light Energy and Maintenance Cost Savings
2012A	Convention Center Expansion Refunding Bonds	\$ 90,430,000	\$ 12,560,300	FY 2028	Transient Occupancy Tax
2012A	Deferred CIP Lease Revenue Bonds	\$ 63,520,000	\$ 4,590,725	FY 2042	General Fund
2012B	Fire & Life Safety Refunding Bonds	\$ 13,995,000	\$ 1,386,769	FY 2032	Safety Sales Tax
2013A	Lease Revenue Bonds • General Fund CIP Bonds • 2003 Old Town Light Rail Extension Refunding	\$ 30,795,000 \$ 3,855,000	\$ 2,154,581 \$ 1,065,375	FY 2043 FY 2023	General Fund Transient Occupancy Tax
2013B	Lease Revenue Bonds • 2003 Balboa Park/Mission Bay Park Refunding	\$ 3,260,000	\$ 738,250	FY 2024	Transient Occupancy Tax
2015A & B	General Fund CIP Bonds	\$ 100,385,000	\$ 6,901,000	FY 2045	General Fund
2016	Ballpark Refunding Bonds	\$ 88,845,000	\$ 9,292,250	FY 2032	Transient Occupancy Tax
2018A	Series 2010A Refunding Bonds • General Fund CIP Bonds • 1996A Stadium Bonds • 1996B Balboa Park/Mission Bay Park Refunding COPs	\$ 91,610,000 \$ 28,285,000 \$ 1,980,000	\$ 6,429,532 \$ 4,045,907 \$ 692,501	FY 2039 FY 2027 FY 2022	General Fund Stadium Fund Transient Occupancy Tax
<b>Total Lease Revenue Bonds</b>		<b>\$ 523,667,716</b>	<b>\$ 51,161,959</b>		
<b>General Fund Supported Capital Leases<sup>2</sup></b>					
	Equipment and Vehicle Financing Program	\$ 87,836,650	\$ 20,564,168	FY 2029	Fleet Replacement Fund and General Fund
	101 Ash Street Capital Lease	\$ 71,764,520	\$ 6,416,724	FY 2037	General Fund
	Civic Center Plaza Capital Lease	\$ 41,608,908	\$ 3,583,799	FY 2035	General Fund
	Other Capital Leases <sup>3</sup>	\$ 17,936,060	\$ 1,896,715	FY 2033	General Fund
<b>Total General Fund Supported Capital Leases</b>		<b>\$ 219,146,138</b>	<b>\$ 32,461,406</b>		
<b>General Fund Commercial Paper Notes<sup>4</sup></b>					

<sup>1</sup> Full lease payment. Does not include estimated \$232,980 in federal subsidy to off-set the lease payment.

<sup>2</sup> In addition to the General Fund backed Capital Leases, the City has approximately \$4.6 million in outstanding Capital Leases backed by various Enterprise Funds (Water, Wastewater, and Development Services) as of June 30, 2019.

<sup>3</sup> Other Capital Leases include General Electric Street Lights and SAP Hana/Open Text Licenses.

<sup>4</sup> The FY 2020 interest costs and program fees are an estimate based on the projected note issuance activity through June 30, 2020.

		Principal Outstanding 6/30/2019	Projected FY 2020 Debt/Lease Payment	Final Maturity	Primary Funding Source
	General Fund Commercial Paper Notes Program (\$88.5 million)	\$ 15,889,000	\$ 900,000		General Fund
<b>Total General Fund Commercial Paper Notes</b>		<b>\$ 15,889,000</b>	<b>\$ 900,000</b>		
<b>Public Utilities - Sewer and Water Revenue Bonds, Commercial Paper Notes, and Loan Obligations</b>					
<b>Sewer Revenue Bonds and Federal and State Loans</b>					
2015	Sewer Revenue Refunding Bonds	\$ 308,435,000	\$ 14,658,900	FY 2027	Net Wastewater System Revenues
2016A	Sewer Revenue Refunding Bonds	\$ 396,605,000	\$ 80,405,400	FY 2039	Net Wastewater System Revenues
	Sewer State Revolving Fund Loans	\$ 119,333,472	\$ 11,568,030	FY 2052	Net Wastewater System Revenues
<b>Total Sewer Revenue Bonds and Loans</b>		<b>\$ 824,373,472</b>	<b>\$ 106,632,330</b>		
<b>Water Revenue Bonds and Federal and State Loans</b>					
2012A	Subordinated Water Revenue Bonds	\$ 119,360,000	\$ 11,828,900	FY 2033	Net Water System Revenues
2016A	Subordinated Water Revenue Bonds	\$ 39,115,000	\$ 2,610,875	FY 2046	Net Water System Revenues
2016B	Subordinated Water Revenue Refunding Bonds	\$ 448,290,000	\$ 46,306,785	FY 2040	Net Water System Revenues
2018A	Subordinated Water Revenue Bonds	\$ 243,180,000	\$ 16,023,175	FY 2048	Net Water System Revenues
	Water State Revolving Fund Loans	\$ 78,812,859	\$ 5,571,374	FY 2050	Net Water System Revenues
	WIFIA Loan (\$614 million) <sup>5</sup>	\$ --	\$ --		Net Water System Revenues
<b>Total Water Revenue Bonds and Federal and State Loans</b>		<b>\$ 928,757,859</b>	<b>\$ 82,341,109</b>		
<b>Water Revenue Commercial Paper Notes</b>					
	Subordinated Commercial Paper Notes Program (not to exceed \$250 million at any time) <sup>6</sup>	\$ 53,597,000	\$ 3,490,000		Net Water System Revenues
<b>Total Water Revenue Commercial Paper Notes</b>		<b>\$ 53,597,000</b>	<b>\$ 3,490,000</b>		

<sup>5</sup> The City has not yet requested disbursements and there is no principal outstanding under the WIFIA Loan.

<sup>6</sup> The FY 2020 interest costs and program fees are an estimate based on the projected note issuance activity through 2020.