

FY: 2017

Debt Obligations



CITY OF SAN DIEGO

ADOPTED BUDGET

MAYOR KEVIN L. FAULCONER

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 obligations¹

Outstanding Principal as of June 30, 2016

- General Fund backed Lease-Revenue Bond Obligations: \$603.3 million
- Public Utilities - Wastewater (Sewer) System Obligations: \$939.5 million
- Public Utilities - Water System Obligations: \$699.9 million

Issuer Rating/General Fund Lease Revenue Bond Obligations Ratings as of June 2016

- Standard & Poor's: AA/AA-, Stable Outlook
- Fitch Ratings: AA-/A+, Positive Outlook
- Moody's Investors Service: Aa2/A1, Stable Outlook

Public Utilities - Water and Sewer Bond Ratings as of June 2016

Water (Senior/Subordinate)

- Standard & Poor's: AA-/Not Rated, Stable Outlook
- Fitch Ratings: AA/AA-, Stable Outlook
- Moody's Investors Service: Aa2/Aa3, Stable Outlook

Sewer

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

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 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 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.

Table 1 summarizes the City's outstanding long-term bond obligations as of June 30, 2016, and the projected bond debt/lease payment for each outstanding issuance for Fiscal Year 2017.

Table 1: Summary of Debt Obligations

		Principal Outstanding 6/30/2016	Projected FY 2017 Debt/Lease Payment	Final Maturity	Primary Funding Source
General Fund Lease Revenue Bond Obligations					
Lease Revenue Bonds					
2010A	Master Refunding Bonds • General Fund CIP Bonds • 1996A Qualcomm Stadium Bonds • 1996B Balboa Park/Mission Bay Park Refunding COPs	\$ 99,720,000 \$ 39,785,000 \$ 4,825,000	\$ 7,313,297 \$ 4,748,125 \$ 927,991	FY 2040 FY 2027 FY 2022	General Fund Stadium Transient Occupancy Tax
2011	Qualified Energy Conservation Bonds (Broad Spectrum Street Lighting Project) ¹	\$ 9,258,957	\$ 1,400,670	FY 2026	Street Light Energy and Maintenance Cost Savings
2012A	Convention Center Expansion Refunding Bonds	\$ 112,980,000	\$ 12,560,450	FY 2028	Transient Occupancy Tax
2012A	Deferred CIP Lease Revenue Bonds	\$ 67,715,000	\$ 4,591,625	FY 2042	General Fund
2012B	Fire & Life Safety Refunding Bonds	\$ 16,300,000	\$ 1,383,569	FY 2032	Safety Sales Tax
2013A	Lease Revenue Bonds • General Fund CIP Bonds • 2003 Old Town Light Rail Extension Refunding	\$ 32,700,000 \$ 6,275,000	\$ 2,154,181 \$ 1,060,650	FY 2043 FY 2023	General Fund Transient Occupancy Tax
2013B	Lease Revenue Bonds - 2003 Balboa Park/Mission Bay Park Refunding Bonds	\$ 4,865,000	\$ 737,950	FY 2024	Transient Occupancy Tax
2015A & B	General Fund CIP Bonds	\$ 105,625,000	\$ 6,899,750	FY 2045	General Fund
2016	Ballpark Refunding Bonds	\$ 103,255,000	\$ 9,287,704	FY 2032	Transient Occupancy Tax
Total General Fund Lease Revenue Bond Obligations		\$ 603,303,957	\$ 53,065,962		
Public Utilities - Sewer and Water Revenue Bond Obligations²					
Sewer Revenue Bond Obligations					
2009A	Sewer Revenue Bonds	\$ 53,475,000	\$ 19,625,338	FY 2039	Net Wastewater System Revenues
2009B	Sewer Revenue Refunding Bonds	\$ 174,330,000	\$ 44,323,850	FY 2025	Net Wastewater System Revenues

Debt Obligations

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

		Principal Outstanding 6/30/2016	Projected FY 2017 Debt/Lease Payment	Final Maturity	Primary Funding Source
20015	Sewer Revenue Refunding Bonds	\$ 308,435,000	\$ 14,658,900	FY 2027	Net Wastewater System Revenues
20016A	Sewer Revenue Refunding Bonds	\$ 403,280,000	\$ 19,315,400	FY 2039	Net Wastewater System Revenues
Total Sewer Revenue Bond Obligations		\$ 939,520,000	\$ 97,923,488		
Water Revenue Bond Obligations					
2012A	Subordinated Water Revenue Bonds	\$ 135,970,000	\$ 11,833,850	FY 2033	Net Water System Revenues
2016A	Subordinated Water Revenue Bonds	\$ 40,540,000	\$ 1,169,631	FY 2046	Net Water System Revenues
2016B	Subordinated Water Revenue Refunding Bonds	\$ 523,485,000	\$ 44,807,462	FY 2040	Net Water System Revenues
Total Water Revenue Bond Obligations		\$ 699,995,000	\$ 57,810,943		

¹ Full lease payment. Does not include estimated \$320,000 in federal subsidy to off-set the lease payment.

² 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, 2016 of approximately \$59.1 million. The Wastewater System SRF loans have a projected outstanding principal loan balance as of June 30, 2016 of approximately \$126.0 million.

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 terms of the lease purchases are typically over a three-year to ten-year term and based on useful life expectancy of the equipment. The outstanding principal for various lease purchase obligations is approximately \$42.7 million on June 30, 2016. These purchases span various lease terms and cover a variety of essential purpose assets. Examples include: fire trucks, refuse packers, service trucks, IT Projects and 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 and the program is managed by the State. Compared to traditional bond financings, the interest rates for SRF loans are lower and also have shorter repayment terms. The Public Utilities Department utilizes the SRF loan program to fund capital improvements in addition to traditional tax-exempt bond offerings.

Under various provisions of State law, the City has established several **Special Assessment and Community Facilities (Mello-Roos) Districts**. There are currently two Special Assessment Districts and four Community Facilities Districts established by the City with outstanding debt. The 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 properties. The outstanding principal amounts as of June 30, 2016 are \$5.3 million for Special Assessment Districts and \$99.4 million for Community Facilities Districts. These bonds are not fiscal obligations of the City. Additional information about these districts and the associated special taxes

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and assessments can be found on the City's Community Facilities Districts & 1913/1915 Act Assessment Districts Webpage.