

FISCAL YEAR  
**2019**

MAYOR KEVIN L. FAULCONER

Debt Obligations



ADOPTED  
BUDGET

The City of  
**SAN DIEGO** 



# 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, 2018***

- General Fund backed Lease-Revenue Bond Obligations: \$550.8 million
- Public Utilities - Wastewater (Sewer) System Obligations: \$766.3 million
- Public Utilities - Water System Obligations: \$636.6 million

## **Issuer Rating/General Fund Lease Revenue Bond Obligations Ratings as of June 30, 2018**

- Standard & Poor's: AA/AA-, Positive Outlook
- Fitch Ratings: AA/AA-, Stable Outlook
- Moody's Investors Service: Aa2/Aa3, Stable Outlook

## **Public Utilities - Water and Sewer Bond Ratings as of June 30, 2018**

### ***Water (Subordinate)***

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

### ***Water Commercial Paper Notes (Subordinate)***

- Fitch Ratings: F1
- Moody's Investors Service: P-1

### ***Sewer (Senior)***

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

---

<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.

# Debt Obligations

## 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 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.

**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

**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 of 1 to 6 months and up to 270 days, and the notes hold short term rates of interest. Commercial Paper obligations are ultimately refinanced with long term bonds.

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. 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 Meters, fire and police helicopters, and the City's Enterprise Resource Planning System.

**State Revolving Fund (SRF) Loans** are obtained through the Clean Water SRF and Drinking Water SRF programs to fund certain eligible water and wastewater infrastructure projects. These low interest loan programs are administered by the State Water Resources Control Board. The City has relied on low cost SRF funding for various water and wastewater projects. SRF loans typically carry a repayment term of 30 years from the construction completion date of the project.

**Table 1** summarizes the City's outstanding debt obligations as of June 30, 2018, and the projected bond debt/lease payment for each outstanding issuance for Fiscal Year 2019.

		Principal Outstanding 6/30/2018	Projected FY 2019 Debt/Lease Payment	Final Maturity	Primary Funding Source
<b>General Fund Bond and Note Obligations<sup>1</sup></b>					
<b>Lease Revenue Bonds</b>					
2011	Qualified Energy Conservation Bonds (Broad Spectrum Street Lighting Project) <sup>2</sup>	\$ 7,578,385	\$ 1,337,497	FY 2026	Street Light Energy and Maintenance Cost Savings

## Debt Obligations

		Principal Outstanding 6/30/2018	Projected FY 2019 Debt/Lease Payment	Final Maturity	Primary Funding Source
2012A	Convention Center Expansion Refunding Bonds	\$ 98,245,000	\$ 12,561,050	FY 2028	Transient Occupancy Tax
2012A	Deferred CIP Lease Revenue Bonds	\$ 64,985,000	\$ 4,597,325	FY 2042	General Fund
2012B	Fire & Life Safety Refunding Bonds	\$ 14,790,000	\$ 1,383,969	FY 2032	Safety Sales Tax
2013A	Lease Revenue Bonds • General Fund CIP Bonds • 2003 Old Town Light Rail Extension Refunding	\$ 31,460,000 \$ 4,705,000	\$ 2,153,706 \$ 1,064,000	FY 2043 FY 2023	General Fund Transient Occupancy Tax
2013B	Lease Revenue Bonds • 2003 Balboa Park/Mission Bay Park Refunding	\$ 3,820,000	\$ 737,000	FY 2024	Transient Occupancy Tax
2015A&B	General Fund CIP Bonds	\$ 102,220,000	\$ 6,900,125	FY 2045	General Fund
2016	Ballpark Refunding Bonds	\$ 93,650,000	\$ 9,293,350	FY 2032	Transient Occupancy Tax
2018A	Bonds (Series 2010A Refunding) • General Fund CIP Bonds • 1996A Stadium Bonds • 1996B Balboa Park/Mission Bay Park Refunding COPs	\$ 95,160,000 \$ 31,550,000 \$ 2,610,000	\$ 6,440,901 \$ 4,045,827 \$ 681,021	FY 2039 FY 2027 FY 2022	General Fund Stadium Fund Transient Occupancy Tax
<b>Total General Fund Lease Revenue Bond Obligations</b>		<b>\$ 550,773,385</b>	<b>\$ 51,195,771</b>		
<b>General Fund Short Term Note Obligations</b>					
	General Fund Commercial Paper Notes Program <sup>3</sup>	\$ --	\$ 540,000	--	General Fund
<b>Public Utilities - Sewer and Water Revenue, Note, Bond, and Loan Obligations</b>					
<b>Sewer Revenue Bond Obligations</b>					
2009A	Sewer Revenue Bonds	\$ 9,435,000	\$ 9,835,988	FY 2039	Net Wastewater System Revenues
2009B	Sewer Revenue Refunding Bonds	\$ 51,775,000	\$ 54,298,000	FY 2025	Net Wastewater System Revenues
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	\$ 19,315,400	FY 2039	Net Wastewater System Revenues

# Debt Obligations

		Principal Outstanding 6/30/2018	Projected FY 2019 Debt/Lease Payment	Final Maturity	Primary Funding Source
<b>Total Sewer Revenue Bond Obligations</b>		<b>\$ 766,250,000</b>	<b>\$ 98,108,288</b>		
<b>Water Revenue Bond Obligations</b>					
2012A	Subordinated Water Revenue Bonds	\$ 125,150,000	\$ 11,835,650	FY 2033	Net Water System Revenues
2016A	Subordinated Water Revenue Bonds	\$ 39,845,000	\$ 2,615,450	FY 2046	Net Water System Revenues
2016B	Subordinated Water Revenue Refunding Bonds	\$ 471,605,000	\$ 46,312,375	FY 2040	Net Water System Revenues
<b>Total Water Revenue Bond Obligations</b>		<b>\$ 636,600,000</b>	<b>\$ 60,763,475</b>		
<b>Water Revenue Short Term Note Obligations</b>					
	Subordinated Commercial Paper Notes Program <sup>4</sup>	\$ 168,213,000	\$ 4,865,000	--	Net Water System Revenues
<b>State Revolving Fund Obligations</b>					
	Water State Revolving Fund Loans	\$ 72,192,517	\$ 5,135,353	FY 2050	Net Water System Revenues
	Sewer State Revolving Fund Loans	\$ 102,060,282	\$ 11,073,317	FY 2052	Net Wastewater System Revenues
<b>Total State Revolving Fund Obligations</b>		<b>\$ 174,252,799</b>	<b>\$ 16,208,670</b>		

- <sup>1</sup> In addition to bonds, the City has various medium and long term capital lease obligations. As of June 30, 2018, the medium and long term capital leases carry an outstanding principal balance of approximately \$173.1 million.
- <sup>2</sup> Full lease payment. Does not include estimated \$263,221 in federal subsidy to off-set the lease payment.
- <sup>3</sup> The program authorization amount is \$80.5 million to fund up to 24 months of General Fund capital program activity. The Fiscal Year 2019 interest costs and program fees are an estimate based on the projected note issuance activity in Fiscal Year 2019.
- <sup>4</sup> The program authorization amount is \$250 million to fund up to 24 months of Water System capital program activity. The Fiscal Year 2019 interest costs and program fees are an estimate based on the projected note issuance activity in Fiscal Year 2018 and 2019.

## Debt Without Government Commitment - 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**. These districts are located in the City. There is currently one Special Assessment District and four Community Facilities Districts 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 residential and commercial 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. These bonds are not fiscal obligations of the City. Additional information about these districts and the associated special taxes and assessments can be found on the City Web page for Community Facilities Districts & 1913/1915 Act Assessment Districts.