



Adopted Budget  
Fiscal Year  
**2022**

**Volume 1**  
Debt Obligations

MAYOR TODD GLORIA



# Debt Obligations



**Page Intentionally Left Blank**

# Debt Obligations

## 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 priority needs include major infrastructure investments in streets, sidewalks, water quality, libraries, parks, public safety and other high-priority neighborhood projects. Close coordination of capital planning and debt planning ensures that the maximum benefit is achieved with the 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<sup>20</sup>

#### 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. Lease Revenue Bonds are primarily applied for financing General Fund capital projects.

**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.

The City's General Obligation (GO) Related / Issuer Credit Ratings and credit ratings on outstanding Lease Revenue Bonds and Revenue Bonds are as follows:

**Table 1: Credit Ratings as of June 2021**

	Fitch Ratings	Moody's Investors Service	Standard & Poor's
<b>General Fund Bond Obligations</b>			
GO Related/Issuer Credit Rating	AA	Aa2	AA
Outlook	Stable	Stable	Stable
Lease Revenue Bonds	AA-	Not Rated	AA-
Outlook	Stable	--	Stable
<b>Public Utilities Bond Obligations</b>			
Wastewater System Bonds (Senior Bonds)	AA	Not Rated	AA+
Outlook	Stable	--	Stable
Water System Bonds (Senior Bonds)	AA	Aa2	Not Rated
Outlook <sup>21</sup>	Stable	Stable	Not Rated

<sup>20</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 2020 Comprehensive Annual Financial Report for a complete list of outstanding liabilities of the City and its related agencies.

<sup>21</sup> In addition, the Water System Senior Bonds are rated by Kroll Bond Rating Agency with an AA+ Rating and a Stable outlook.

# Debt Obligations

	Fitch Ratings	Moody's Investors Service	Standard & Poor's
Water System Bonds (Subordinate Bonds)	AA-	Aa3	Not Rated
Outlook	Stable	Stable	--

## Other Outstanding Debt Obligations

**Federal and State Infrastructure Loans** are an important funding source for capital projects in addition to the bond and commercial paper note proceeds. State Revolving Funds (SRF) and the federal Water Infrastructure Finance and Innovation Act (WIFIA) program make low-cost long-term loans available to local agencies to fund certain public clean water infrastructure projects. The City is utilizing SRF funding for various water and wastewater projects, stormwater system. City secured a WIFIA Loan for the Water Utility portion of Phase I of the Pure Water Program.

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

**Commercial Paper Notes** provide an as needed interim 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. Water and General Fund Commercial Paper Note Program notes mature up to 270 days from issuance, and the notes hold short term rates of interest. Commercial Paper obligations are refinanced with long term bonds.

- Water Commercial Paper Notes Program- In 2017, the City established a Water Revenue Commercial Paper Notes Program 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- In 2018, the City established a General Fund Lease Revenue Commercial Paper Note Program. This program finances General Fund capital projects. Program costs and interest expenses are paid by the General Fund.
- San Diego Association of Governments (SANDAG) Commercial Paper Note Program - The City is participating with the SANDAG Commercial Paper Program to advance funds for the West Mission Bay Drive Bridge project (S00871) for up to \$40.0 million on a revolving basis to advance grant eligible expenditures until costs are reimbursed. The program costs and issuance expenses are paid from the City's TransNet Congestion Relief Funds. The principal amount will be repaid as the grant reimburses eligible projects costs.

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

- The City has acquired real estate assets through lease-to-own agreements. These long-term agreements have been executed with twenty (20) to thirty (30) year repayment terms.
- 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 refuse packers, service trucks, Information Technology (IT) Projects and Equipment, and fire and police helicopters. In addition, from time to time, the City enters into capital leases via equipment vendors to finance eligible projects, and lease-to-own agreements to acquire buildings for City operations.

# Debt Obligations

**Table 2: Summary of Debt Obligations** summarizes the City's projected outstanding debt obligations described above as of June 30, 2021, and the projected bond debt/lease payment for each outstanding issuance for Fiscal Year 2022.

**Table 2: Summary of Debt Obligations**

		Principal Outstanding 6/30/2021	Projected FY 2022 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>					
2012A	Convention Center Expansion Refunding Bonds	\$ 9,045,000	\$ 9,497,250	FY 2022	Transient Occupancy Tax
2012A	General Fund CIP Bonds	\$ 5,275,000	\$ 1,913,125	FY 2024	General Fund
2012B	Fire & Life Safety Refunding Bonds	\$ 12,300,000	\$ 1,393,219	FY 2032	Safety Sales Tax
2013A	General Fund CIP Bonds	\$ 29,360,000	\$ 2,155,956	FY 2043	General Fund
	2003 Old Town Light Rail Extension Refunding	\$ 2,020,000	1,061,375	FY 2023	Transient Occupancy Tax
2013B	2003 Balboa Park/Mission Bay Park Refunding	\$ 2,050,000	\$ 736,250	FY 2024	Transient Occupancy Tax
2015A & B	General Fund CIP Bonds	\$ 96,430,000	\$ 6,898,250	FY 2045	General Fund
2016	Ballpark Refunding Bonds	\$ 78,615,000	\$ 9,288,375	FY 2032	Transient Occupancy Tax
2018A	Series 2010A Refunding Bonds				
	General Fund CIP Bonds	\$ 85,340,000	\$ 6,695,277	FY 2039	General Fund
	1996A Stadium Bonds	\$ 21,865,000	\$ 4,046,336	FY 2027	Stadium Fund
	1996B Balboa Park/Mission Bay Park Refunding CIPs	\$ 670,000	\$ 680,030	FY 2022	Transient Occupancy Tax
2020A	General Fund CIP Refunding Bonds	\$ 59,755,000	\$ 2,252,506	FY 2042	General Fund
2020A	Convention Center Expansion Refunding Bonds	\$ 69,030,000	\$ 2,594,743	FY 2028	Transient Occupancy Tax
2021A	General Fund CIP Bonds	\$ 117,145,000	\$ 5,453,047	FY 2052	General Fund
<b>Total Lease Revenue Bonds</b>		<b>\$ 588,900,000</b>	<b>\$ 54,665,739</b>		
<b>General Fund Supported Capital Leases<sup>22</sup></b>					
	Equipment and Vehicle Financing Program	\$ 86,950,678	\$ 22,555,045	FY 2031	Fleet Replacement Fund and General Fund

<sup>3</sup> Does not include non-General Fund Capital Leases. In addition to the General Fund backed Capital Leases, the City has various capital leases backed by Enterprise Funds. As of June 30, 2021, the City had \$18,516 and \$7,935 in outstanding principal for the Advanced Metering Infrastructure project capital leases payable from the Water and Wastewater system revenues, respectively.

# Debt Obligations

		Principal Outstanding 6/30/2021	Projected FY 2022 Debt/Lease Payment	Final Maturity	Primary Funding Source
	101 Ash Street Capital Lease <sup>23</sup>	\$ 68,834,999	\$ 6,416,718	FY 2037	General Fund
	Civic Center Plaza Capital Lease	\$ 39,620,164	\$ 3,765,235	FY 2035	General Fund
	Qualified Energy Conservation Bonds Equipment Lease <sup>5</sup>	\$ 4,903,162	\$ 1,236,936	FY 2026	Street Light Energy and Maintenance Cost Savings
	Other Capital Leases <sup>6</sup>	\$ 15,883,961	\$ 1,858,665	FY 2033	General Fund
<b>Total General Fund Supported Capital Leases</b>		<b>\$ 216,192,964</b>	<b>\$ 35,832,599</b>		
<b>General Fund Commercial Paper Notes<sup>7</sup></b>					
	General Fund Commercial Paper Notes Program	\$ 0	\$ 340,000		General Fund
<b>Total General Fund Commercial Paper Notes</b>		<b>\$ 0</b>	<b>\$ 340,000</b>		
<b>California Energy Resources Conservation and Development Commission (CEC) Loans</b>					
	CEC Loans	\$ 1,942,689	\$ 508,078	FY 2029	General Fund
<b>Total CEC Loans</b>		<b>\$ 1,942,689</b>	<b>\$ 508,078</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	\$ 80,373,900	FY 2027	Net Wastewater System Revenues
2016A	Sewer Revenue Refunding Bonds	\$ 271,615,000	\$ 15,050,900	FY 2039	Net Wastewater System Revenues
	Sewer State Revolving Fund Loans	\$ 132,393,028	\$ 10,230,014	FY 2052	Net Wastewater System Revenues
<b>Total Sewer Revenue Bond and Loans</b>		<b>\$ 713,051,201</b>	<b>\$ 105,654,814</b>		
<b>Water Revenue Bonds and Federal and State Loans</b>					
2016A	Subordinated Water Revenue Bonds	\$ 37,575,000	\$ 2,611,000	FY 2046	Net Water System Revenues
2016B	Subordinated Water Revenue Refunding Bonds	\$ 398,015,000	\$ 46,308,625	FY 2040	Net Water System Revenues

<sup>4</sup> Since the City is currently unable to occupy 101 Ash, lease payments have been abated since September 1, 2020. Lease payments are appropriated in the General Fund.

<sup>5</sup> Full lease payment. Does not include estimated \$173,804 in federal subsidy to offset the lease payment.

<sup>6</sup> Other Capital Leases include General Electric Street Lights and IT Hardware.

<sup>7</sup> The FY 2022 interest costs are an estimate based on the projected note issuance activity through 2022. Figures do not reflect fees of \$400,000, which are required for Commercial Paper program operation.

## Debt Obligations

		Principal Outstanding 6/30/2021	Projected FY 2022 Debt/Lease Payment	Final Maturity	Primary Funding Source
2018A	Subordinated Water Revenue Bonds	\$ 235,355,000	\$ 16,021,925	FY 2048	Net Water System Revenues
2020A	Senior Water Revenue Bonds	\$ 215,520,000	\$ 12,417,425	FY 2050	Net Water System Revenues
2020B	Senior Water Revenue Refunding Bonds	\$ 105,685,000	\$ 9,935,295	FY 2033	Net Water System Revenues
	Water State Revolving Fund Loans	\$ 77,196,707	\$ 6,206,939	FY 2050	Net Water System Revenues
	WIFIA Loan – Pure Water Program (\$614 million)	\$ 9,558,993	\$ 993,000	FY 2059	Net Water System Revenues
<b>Total Water Revenue Bonds and Federal and State Loans</b>		<b>\$ 1,078,905,700</b>	<b>\$ 94,494,209</b>		
<b>Water Revenue Commercial Paper Notes</b>					
	Subordinated Commercial Paper Notes Program <sup>8</sup>	\$ 98,724,000	\$ 3,200,000		Net Water System Revenues
<b>Total Water Revenue Commercial Paper Note</b>		<b>\$ 98,724,000</b>	<b>\$ 3,200,000</b>		
<b>SANDAG Commercial Paper Notes</b>					
	SANDAG Commercial Paper Notes Program (\$40 million)	\$ 26,167,000	\$ 150,000		TransNet Revenue
<b>Total SANDAG Commercial Paper Notes</b>		<b>\$ 26,167,000</b>	<b>\$ 150,000</b>		

<sup>8</sup> The FY 2022 interest costs are an estimate based on the projected note issuance activity through 2022. Figures do not reflect projected fees of \$1.8 million, which are required for Commercial Paper program operation.

# Debt Obligations



**Page Intentionally Left Blank**