

FISCAL YEAR

2024

ADOPTED
BUDGET



Volume 1
Debt Obligations

MAYOR TODD GLORIA



HOUSING • PROTECT & ENRICH • INFRASTRUCTURE • SUSTAINABILITY • PROSPERITY





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Debt Obligations

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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 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 Obligations¹

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 lease payments that are due and payable during each Fiscal Year (FY) 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.

Table 1 - Credit Ratings as of June 2023 shows the City's General Obligation (GO) Related/Issuer Credit Ratings and credit ratings on outstanding Lease Revenue Bonds and Revenue Bonds, and Water Infrastructure Finance and Innovation Act (WIFIA) loans.

Table 1 - Credit Ratings as of June 2023

	Fitch Ratings	Moody's Investors Service	Standard & Poor's
General Fund Bond Obligations			
GO Related/Issuer Credit Rating	AA	Aa2	AA
Outlook	Stable	Stable	Stable
Lease Revenue Bonds and WIFIA Loan ²	AA-	Not Rated	AA-
Outlook	Stable	--	Stable
Public Utilities Bond Obligations			
Wastewater System Bonds (Senior Bonds)	AA	Not Rated	AA+
Outlook	Stable	--	Stable

¹Does not reflect debt obligations of City related entities (examples include City as the Successor Agency to the Redevelopment Agency, Community Facilities Districts, or Assessment Districts). See the City's FY 2022 Annual Comprehensive Financial Report for a complete list of outstanding liabilities of the City and its related entities.

²Only Fitch Ratings rates the WIFIA loan

Debt Obligations

	Fitch Ratings	Moody's Investors Service	Standard & Poor's
Wastewater System Bonds (Subordinate Bonds) Outlook	AA Stable	Not Rated --	AA Stable
Water System Bonds (Senior Bonds) Outlook ³	AA Stable	Aa2 Stable	Not Rated --
Water System Bonds (Subordinate Bonds) Outlook	AA- Stable	Aa3 Stable	Not Rated --

Other Outstanding Debt Obligations

Federal and State Infrastructure Loans are an important funding source for capital projects in addition to bond and commercial paper note proceeds. State Revolving Funds (SRF) and the federal WIFIA programs make low-cost, long-term loans available to local agencies to fund certain public clean water 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 I of the Pure Water Program and critical stormwater infrastructure 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 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 to finance Water Utility capital projects. 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 expenditures including infrastructure projects and purchases of equipment and vehicles. Program costs and issuance 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 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/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.

³ In addition, the Water System Senior Bonds are rated by Kroll Bond Rating Agency with an AA+ Rating and a Stable outlook.

Debt Obligations

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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.

Table 2 - Summary of Debt Obligations summarizes the City's projected outstanding debt obligations, described above, as of June 30, 2023, and the projected debt/lease payment for each outstanding issuance for FY 2024.

Table 2: Summary of Debt Obligations

		Principal Outstanding 6/30/2023	Projected FY 2024 Debt/Lease Payment	Final Maturity	Primary Funding Source
General Fund Bonds, Capital Leases, and Commercial Paper Note Obligations					
Lease Revenue Bonds					
2012A	General Fund CIP Bonds	\$ 1,845,000	\$ 1,914,500	FY 2024	General Fund
2012B	Fire & Life Safety Refunding Bonds	\$ 10,455,000	\$ 1,398,169	FY 2032	Safety Sales Tax
2013A	General Fund CIP Bonds	\$ 27,775,000	\$ 2,154,706	FY 2043	General Fund
2013B	2003 Balboa Park/Mission Bay Park Refunding	\$ 720,000	\$ 738,000	FY 2024	Transient Occupancy Tax
2015A & B	General Fund CIP Bonds	\$ 92,060,000	\$ 6,899,125	FY 2045	General Fund
2016	Ballpark Refunding Bonds	\$ 67,340,000	\$ 9,290,125	FY 2032	Transient Occupancy Tax
2018A	Series 2010A Refunding Bonds	\$ 78,415,000	\$ 6,680,372	FY 2039	General Fund
2018A	1996A Stadium Bonds	\$ 15,060,000	\$ 4,045,097	FY 2027	Capital Outlay Fund
2020A	Series 2012A Refunding Bonds	\$ 58,440,000	\$ 2,252,997	FY 2042	General Fund
2020A	Convention Center Expansion Refunding Bonds	\$ 56,855,000	\$ 12,092,175	FY 2028	Transient Occupancy Tax
2021A	General Fund CIP Bonds	\$ 115,405,000	\$ 7,222,225	FY 2051	General Fund
2023A	General Fund CIP Bonds	\$ 114,990,000	\$ 7,234,157	FY 2053	General Fund
Total Lease Revenue Bonds		\$ 639,360,000	\$ 61,921,649		
General Fund Supported Capital Leases					
	Equipment and Vehicle Financing Program	\$ 67,186,500	\$ 22,844,628	FY 2031	Fleet Replacement Fund and General Fund
	Qualified Energy Conservation Bonds Equipment Lease ⁴	\$ 3,010,914	\$ 1,165,807	FY 2026	Street Light Energy and Maintenance Cost Savings
	Stormwater WIFIA Capital Lease ⁵	\$ -	\$ 700,092	FY 2062	General Fund
	Other Capital Leases ⁶	\$ 13,707,561	\$ 2,076,064	FY 2033	General Fund

⁴ Full lease payment. Does not include an estimated \$106,729 in federal subsidy to offset the lease payment.

⁵ On August 9, 2022, the City executed a \$359.2 million WIFIA Master Lease loan authorization with the Environmental Protection Agency (EPA) for Stormwater CIP. The City anticipates the loan will begin to pay debt service in FY 2024 when

Debt Obligations

		Principal Outstanding 6/30/2023	Projected FY 2024 Debt/Lease Payment	Final Maturity	Primary Funding Source
Total General Fund Supported Capital Leases		\$ 83,904,975	\$ 26,786,590		
General Fund Commercial Paper Notes					
	General Fund Commercial Paper Notes Program (not to exceed \$88.5 million) ⁷	\$ -	\$ 1,220,301		General Fund
Total General Fund Commercial Paper Notes		\$ -	\$ 1,220,301		
California Energy Resources Conservation and Development Commission (CEC) Loans					
	CEC Loans	\$ 981,610	\$ 335,221	FY 2029	General Fund
Total CEC Loans		\$ 981,610	\$ 335,221		
Public Utilities - Sewer and Water Revenue Bonds, Commercial Paper Notes, and Loan Obligations					
Sewer Revenue Bonds, Notes, and Federal and State Loans					
2015	Sewer Revenue Refunding Bonds	\$ 170,335,000	\$ 64,743,900	FY 2027	Net Wastewater System Revenues
2016A	Sewer Revenue Refunding Bonds	\$ 270,130,000	\$ 13,506,500	FY 2039	Net Wastewater System Revenues
2022A	Sewer Revenue Bonds	\$ 165,655,000	\$ 10,942,750	FY 2052	Net Wastewater System Revenues
	Sewer State Revolving Fund Loans ⁸	\$ 152,851,715	\$ 7,810,261	FY 2056	Net Wastewater System Revenues
	Sewer Revolving Credit Loan ⁹	\$ 43,400,000	\$ 2,200,000	FY 2026	Net Wastewater System Revenues
Total Sewer Revenue Bonds, Notes, and Loans		\$ 802,371,715	\$ 99,203,411		

⁶ Other Capital Leases include General Electric Street Lights (principal outstanding is \$12,891,212 and debt service in FY 2024 is \$1,652,635) and IT Hardware (principal outstanding is \$816,349 and debt service in FY 2024 is \$423,429).

⁷ The FY 2024 interest costs are an estimate based on projected note issuances for FY 2024. Figures do not reflect fees of \$409,966, which are required for Commercial Paper program operation.

⁸ The Principal Outstanding as of June 30, 2023 is an estimate based on the outstanding SRF loans and the anticipated additional draws on SRF loans. The FY 2024 Debt/Lease Payment projection includes a projected debt service for the Pure Water SRF loans of approximately \$2.4 million, which is based on anticipated draws and repayment requirements.

⁹ In December 2022, the City entered into a \$150 million Revolving Credit Loan Agreement to serve as an interim financing for Sewer Pure Water Phase 1 costs that will be financed long term through Sewer SRF loans. The City anticipates the loan will begin to pay debt service in FY 2024 when funds are anticipated to be drawn; the Projected FY 2024 Debt/Lease Payment is an estimate based on those projected draws.

Debt Obligations

		Principal Outstanding 6/30/2023	Projected FY 2024 Debt/Lease Payment	Final Maturity	Primary Funding Source
Water Revenue Bonds and Federal and State Loans					
2016A	Subordinated Water Revenue Bonds	\$ 35,920,000	\$ 2,613,400	FY 2046	Net Water System Revenues
2016B	Subordinated Water Revenue Refunding Bonds	\$ 349,835,000	\$ 39,117,250	FY 2040	Net Water System Revenues
2018A	Subordinated Water Revenue Bonds	\$ 226,705,000	\$ 16,023,300	FY 2048	Net Water System Revenues
2020A	Senior Water Revenue Bonds	\$ 208,185,000	\$ 12,416,300	FY 2050	Net Water System Revenues
2020B	Senior Water Revenue Refunding Bonds	\$ 89,515,000	\$ 9,935,076	FY 2033	Net Water System Revenues
2023A	Senior Water Revenue Bonds	\$ 223,155,000	\$ 8,612,969	FY 2053	Net Water System Revenues
	Water State Revolving Fund Loans	\$ 68,407,691	\$ 7,359,945	FY 2050	Net Water System Revenues
	WIFIA Loan – Pure Water Program (not to exceed \$614 million) ¹⁰	\$ 189,217,267	\$ 6,710,000	FY 2059	Net Water System Revenues
Total Water Revenue Bonds and Loans		\$ 1,390,939,958	\$ 102,788,240		
Water Revenue Commercial Paper Notes					
	Subordinated Commercial Paper Notes Program (not to exceed \$250 million) ¹¹	\$ -	\$ 4,500,000		Net Water System Revenues
Total Water Revenue Commercial Paper Notes		\$ -	\$ 4,500,000		
SANDAG Commercial Paper Notes					
	SANDAG Commercial Paper Notes Program (\$40 million)	\$ 26,167,000	\$ 197,673	FY 2029	TransNet Revenue
Total SANDAG Commercial Paper Notes		\$ 26,167,000	\$ 197,673		

¹⁰ The estimated FY 2024 debt service is based on estimated draws through Fiscal Year 2024 and are subject to change.

¹¹ The FY 2024 interest costs are an estimate based on projected note issuances for FY 2024. Figures do not reflect projected fees of \$1.1 million, which are required for Commercial Paper program operation.



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