



The City of San Diego

ADOPTED BUDGET



Debt Obligations

Fiscal Year

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Debt Obligations

Under the direction of the Chief Financial Officer, with attention to current economic 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 bond instruments is an equitable means of financing projects 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 existing long term debt obligations¹

Outstanding Principal as of June 30, 2012

- General Fund backed Lease-Revenue Obligations: \$491.6 million
- Public Utilities - Water System Obligations: \$799.5 million
- Public Utilities - Wastewater System Obligations: \$1.120 billion

Issuer Rating/General Fund Lease Obligations Ratings as of June 2012

- Standard & Poor's: AA-/A+, Stable Outlook
- Fitch Ratings: AA-/A+, Stable Outlook
- Moody's Investors Service: Aa3/A2, Stable Outlook

Public Utilities - Water and Wastewater Bond Ratings as of June 2012

Water (Senior/Subordinate)

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

Wastewater

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

Lease Revenue Bonds and Certificates of Participation are lease obligations secured by an installment sale agreement or 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 or Certificates of Participation. These obligations do not constitute indebtedness under the State constitutional debt limitation, and therefore 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 payable solely from net or gross non-ad valorem tax revenues derived from General Fund revenues, tax increment revenues, rates or tolls, fees, charges, or rents paid by users of the facility constructed with the proceeds of the bond issue.

Table 1 summarizes the City's outstanding long-term bond obligations as of June 30, 2012, and the projected debt/lease payment for each outstanding issuance for Fiscal Year 2013.

Table 1: Summary of Debt Obligations

		Principal Outstanding 6/30/2012	Projected FY 2013 Debt/Lease Payment	Final Maturity	Primary Funding Source
General Fund Lease-Revenue Obligations					
Certificates of Participation					
2003	1993 Balboa Park/Mission Bay Park Improvements Program Refunding Certificates of Participation	\$ 7,240,000	\$ 753,144	FY 2024	Transient Occupancy Tax
Lease Revenue Bonds					
2002B	Fire and Life Safety Facilities Project ¹	\$ 20,545,000	\$ 1,630,125	FY 2032	Safety Sales Tax
2003	1993 City/MTDB Authority Refunding - Old Town Trolley Extension	\$ 10,025,000	\$ 1,153,374	FY 2023	Transient Occupancy Tax
2007A	Ballpark Refunding Bonds	\$ 138,200,000	\$ 11,321,250	FY 2032	Successor Agency
2010A	Master Refunding Bonds ²	\$ 162,740,000	\$ 12,997,301	FY 2040	General Fund, Stadium, Transient Occupancy Tax, & Capital Outlay
2011	Qualified Energy Conservation Bonds (Broad Spectrum Street Lighting Project) ³	\$ 12,391,323	\$ 1,518,446	FY 2026	Street Light Energy and Maintenance Cost Savings
2012A	Convention Center Expansion Financing Authority Lease Revenue Refunding Bonds	\$ 140,440,000	\$ 12,560,741	FY 2028	Transient Occupancy Tax, Port Authority Contribution, Successor Agency
Total General Fund Lease-Revenue Obligations		\$ 491,581,323	\$ 41,934,381		
Public Utilities - Wastewater and Water System Obligations⁴					
Wastewater System Obligations					
2009A	Sewer Revenue Bonds	\$ 425,330,000	\$ 36,284,981	FY 2039	Net Wastewater System Revenues
2009B	Sewer Revenue Refunding Bonds	\$ 533,215,000	\$ 57,701,388	FY 2025	Net Wastewater System Revenues
2010A	Sewer Revenue Refunding Bonds	\$ 161,930,000	\$ 8,501,325	FY 2029	Net Wastewater System Revenues
Total Wastewater System Obligations		\$ 1,120,475,000	\$ 102,487,694		

Debt Obligations

Table 1: Summary of Debt Obligations

		Principal Outstanding 6/30/2012	Projected FY 2013 Debt/Lease Payment	Final Maturity	Primary Funding Source
Water System Obligations					
2002	Subordinated Water Revenue Bonds ⁵	\$ 16,430,000	\$ 16,829,063	FY 2013	Net Water System Revenues
2009A	Water Revenue Bonds	\$ 153,905,000	\$ 8,677,225	FY 2039	Net Water System Revenues
2009B	Water Revenue Bonds	\$ 317,425,000	\$ 21,735,794	FY 2040	Net Water System Revenues
2010A	Water Revenue Bonds	\$ 123,075,000	\$ 6,310,475	FY 2029	Net Water System Revenues
2012A	Subordinated Water Revenue Bonds	\$ 188,610,000	\$ 10,470,175	FY 2033	Net Water System Revenues
Total Water System Obligations		\$ 799,445,000	\$ 64,022,732		
McGuigan Settlement					
2010	McGuigan Settlement Modification	\$ 25,030,698	\$ 8,996,397	FY 2015	General Fund and Misc. Special Funds

¹ The 2002B Bonds were refunded with the issuance of the 2012B Fire and Life Safety Facilities Refunding Bonds on July 3, 2012. See following Table.

² The 2010A Master Refunding Bonds refunded the 2009A Deferred CIP Bonds, the 1996B Balboa Park/Mission Bay Park Refunding COPs and the 1996A Qualcomm Stadium Bonds.

³ Lease payments for the Qualified Energy Conservation Bonds are partially offset by direct cash subsidy payments from the federal government annually over the life of the bonds. The FY 2013 subsidy is expected to be \$465,789.82 resulting in a net lease payment of \$1,052,656 after accounting for the subsidy.

⁴ In addition to bonds, the Water and Wastewater Systems have outstanding State Revolving Fund (SRF) loan obligations. Currently, the Water System SRF loans outstanding loan balance as of June 30, 2012 is approximately \$80.7 million. The Wastewater System has SRF loans with an outstanding loan balance as of June 30, 2012 of approximately \$130.2 million.

⁵ FY 2013 debt payment includes \$16.43 million principal and \$399,063 interest due August 1, 2012.

As of July 3, 2012, the City issued Lease Revenue Bonds, Series 2012A (Capital Improvement Projects) and Lease Revenue Refunding Bonds, Series 2012B (Fire and Life Safety Facilities Refunding). The table below summarizes the outstanding debt and the Fiscal Year 2013 lease payments associated with these bonds.

		Principal Outstanding 7/3/2012	Projected FY 2013 Debt/Lease Payment	Final Maturity	Primary Funding Source
General Fund Lease-Revenue Obligations					
2012A	Capital Improvement Projects Lease Revenue Bonds	\$ 72,000,000	\$ 3,267,531	FY 2042	General Fund
2012B	Fire and Life Safety Facilities Refunding Bonds	\$ 18,745,000	\$ 892,617	FY 2032	Safety Sales Tax

In addition to long-term debt obligations, annually the City issues Tax and Revenue Anticipation Notes (TRANS) to meet General Fund cash flow needs for the following fiscal year in anticipation of

Debt Obligations

the receipt of property tax revenues later in the fiscal year. On July 2, 2012, the City issued \$100.7 million in Tax and Revenue Anticipation Notes to meet the cash flow needs of Fiscal Year 2013.

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 term of the lease purchases are typically over a three- to ten-year term and based on useful life expectancy of the equipment. As of June 30, 2012, the projected outstanding principal for various lease purchase obligations is estimated at \$68.7 million. These purchases span various lease terms and cover a variety of essential purpose assets. Examples of the equipment include: fire trucks, refuse packers, service trucks, 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. SRF debt service payments are factored into debt service coverage ratios as defined by applicable water and wastewater bond indentures. Compared to traditional bond financings, the City may realize substantial savings from lower interest rates and shorter repayment terms of the SRF Loans. The loans are administered by the benefiting department. The Public Utilities Department actively utilizes the SRF loan program to fund capital improvements in addition to traditional tax-exempt bond offerings.

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**. Such 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 benefiting properties. These bonds are not City obligations.