

# **Debt Management**



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## Department Description

Debt Management conducts planning, structuring, and issuance activities for all City financings to fund cash flow needs and to provide funds for capital projects, essential equipment, and vehicles. The Department also coordinates the Community Facilities District and 1913/1915 Act Assessment District formation procedures and related conduit bond issuances to fund public infrastructure projects. The Department monitors outstanding bond issuances for refunding opportunities, and performs, coordinates, and monitors certain post-issuance administrative functions. The Department maintains the City's Investor Information page to provide outreach to current and prospective investors on bond disclosure, credit ratings, and the calendar of upcoming bond issuances. Debt Management works with the Office of the City Attorney, outside counsel, and other departments to administer debt service payments, monitor and report the City's compliance with bond covenants, coordinate the filing of annual continuing disclosure reports, and respond to bondholder requests for information.

Debt Management performs as-needed financial planning and analyses for the Mayor and City departments. The Department works with Public Works, Public Utilities, Environmental Services, and the Capital Improvement Program Review and Advisory Committee (CIPRAC) in developing financial plans and identifying infrastructure funding for General Fund, Water, and Wastewater Systems.

Debt Management is organized into the following functional areas:

### **General Fund Financing and Administration**

General Fund Financing and Administration coordinates the structuring and issuance of bond financings for City capital projects funded and secured by the City's General Fund and performs or coordinates various post-bond issuance administrative functions including continuing disclosure filings.

### **Enterprise Fund Financing and Administration**

Enterprise Fund Financing and Administration coordinates the structuring and issuance of bond financings for City capital projects funded and secured by the City's enterprise funds and performs or coordinates various post-bond issuance administrative functions including continuing disclosure filings.

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## Special Districts Financing and Administration

Special Districts Financing and Administration coordinates Community Facilities District and 1913/1915 Act Assessment District conduit formation procedures and related bond issuances. The Department also coordinates various post-issuance administrative functions including continuing disclosure filings and the enrollment process for assessments and special taxes, with the assistance from assessment and special tax consultants to maintain parcel databases and administer established special tax parcel taxing formulas.

## Equipment and Vehicle Financing Program (EVFP)

EVFP Administration coordinates the City's lease purchase of essential vehicles and equipment typically over a three to ten-year term based on the useful life expectancy of the equipment. Examples include the following: fire trucks, refuse packers, service trucks, fire and police helicopters, and the City's Enterprise Resource Planning system. Various post-issuance administrative functions are performed annually related to the vehicle lease purchase program.

The Department's mission is:

*To provide comprehensive and innovative debt management administration to meet the financing needs of the City in a cost-effective manner, taking into account City priorities, as well as legal, financial, and structural considerations*

## Goals and Objectives

The following goals and objectives represent the action plan for the Department:

### ***Goal 1: Structure and implement capital financing plans***

Structuring and implementing financings to provide funding in a timely manner for various essential projects is integral to the City's capital plan. The Department accomplishes this goal by focusing on the following objectives:

- Implement and execute financings with sound structuring consistent with the City's Debt Policy
- Ensure that the financings implemented are cost-effective

### ***Goal 2: Use best practices***

Use of best practices is vital to improving and maintaining an efficient and effective Debt Management administration. For example, strong disclosure practices improve the process of providing timely and accurate financial reporting to stakeholders. The Department accomplishes this goal by focusing on the following objectives:

- Ensure active investor outreach through the City Investor Information Page
- Implement and execute financings that adhere to the City's model disclosure practices
- Conduct annual review of the City's Debt Policy to ensure the City meets and adheres to industry standards

### ***Goal 3: Manage post-issuance compliance***

Post-issuance compliance is an important process necessary for maintaining the tax exemption of interest on outstanding bond issues and in ensuring the City's compliance with federal securities laws. The Department accomplishes this goal by focusing on the following objectives:

- Ensure that ongoing covenant compliance monitoring, including making timely debt service payments, is conducted for all outstanding bond issuances
- Optimize returns from bond funds while ensuring needed liquidity and conforming to various bond covenants and requirements
- Perform timely reporting

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## *Goal 4: Hire, retain, and develop skilled employees and promote highest standards and ethical behavior*

The Department accomplishes this goal by focusing on the following objectives:

- Promote and develop excellence through financial training in model bond issuance practices and expand skills through cross-training
- Facilitate the review of standards and ethical practices on a regular basis

## Key Performance Indicators

Performance Measure	Actual FY2012	Actual FY2013	Target FY2014
1. Percent of debt payments made to bond trustees on time	100%	100%	100%
2. Percent of bond offering disclosures that were reviewed by the City's Disclosure Practices Working Group (DPWG) and received certification	100%	100%	100%
3. Percent of professional development and training goals met by the Department to maintain skilled employees and promote the highest ethical standards	83%	82%	100%
4. Percent of the City's Investor Information Page updated with City financial disclosures <sup>1</sup> required to be submitted to the designated electronic repository for municipal securities within two business days <sup>2</sup>	88%	94%	100%
5. Percent of outstanding City bond issuances actively monitored and reported for compliance with bond covenants	100%	100%	100%
6. Percent of City public bond offerings priced similarly to comparable credits within the same timeframe	100%	100%	100%

1. Financial disclosures are material event notices (defined by SEC Rule 15c 2-12) such as bond calls and rating changes, continuing disclosure annual reports, and comprehensive annual financial reports.
2. Starting in Fiscal Year 2012, this target was enhanced to require updates to occur within two business days compared to five business days in previous fiscal years.

## Service Efforts and Accomplishments

In July 2012, Debt Management conducted the Capital Improvement Projects Lease Revenue Bonds, Series 2012A, funding \$75.0 million of proceeds for capital improvement projects for streets, storm drains, and facilities and completed the economic refunding of the Fire and Life Safety Public Facilities Financing Authority Lease Revenue Bonds, Series 2002B. The economic refunding generated 11.6 percent in net present value savings (approximately \$4.4 million in gross cumulative cash flow savings) in Fiscal Years 2013-2031 for the General Fund. Debt Management also implemented the Fiscal Year 2013 Tax and Revenue Anticipation Note financing in an amount of \$100.7 million to fund the Fiscal Year 2013 General Fund temporary cash flow needs.

In July 2013, Debt Management completed another round of Capital Improvement Projects Lease Revenue Bonds, a component of Series 2013A, funding \$35.0 million of bond proceeds for capital improvement projects to repair additional streets, storm drains, and fund facilities. The bond issuance also contained two economic refundings (San Diego Old Town Light Rail Transit Extension Refunding Lease Revenue Bonds, Series 2003, and the Balboa Park/ Mission Bay Park Refunding Certificates of Participation, Series 2003). The combined refundings generated 4.8 percent in net present value savings or approximately \$1.2 million in gross cumulative cash flow savings in Fiscal Years 2014-2024 for the General Fund.

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The Department facilitated the enrollment of \$15.5 million of special taxes and special assessments on 8,472 parcels of land to provide for debt service on approximately \$135.0 million of outstanding special tax and special assessment bonds issued to finance public infrastructure improvements in Fiscal Year 2013. In February 2013, Debt Management facilitated the issuance of the Community Facilities District No. 3 (Liberty Station) Special Tax Refunding Bonds Series 2013 to refund the previously issued CFD No. 3 (Liberty Station) Special Tax Bonds Series A of 2006 and Series A of 2008. The 2006 and 2008 bonds were issued to finance various public facilities within or serving the district. With a par issue size of \$15.8 million, the refunding generated 13.7 percent in net present value savings or approximately \$5.9 million in gross cumulative cash flow savings for Fiscal Years 2014-2036 benefiting the property owners in the District.

In July 2013, Debt Management also facilitated the issuance of the City of San Diego Assessment District No. 4096 (Piper Ranch) Limited Obligation Refunding Bonds, to refund the previously issued City of San Diego Assessment District No. 4096 (Piper Ranch) Limited Obligation Improvement Bonds (the "2004 Bonds"). The 2004 bonds were issued to finance certain street, sewer, and storm drain improvements within the District. With a par issue size of \$3.8 million, the refunding generated 4.8 percent in net present value savings or approximately \$392,000 in gross cumulative cash flow savings for Fiscal Years 2014-2033 benefiting the property owners in the District.

In Fiscal Year 2013, the EVFP program completed the funding of citywide essential fleet and equipment needs in an amount up to \$28.9 million. This included funding for annual fleet replacement needs, the Global Positioning System (GPS) equipment, the Water Advanced Metering Infrastructure (AMI) project, lifeguard vessels, and certain information technology (IT) replacement needs. The Department manages a lease purchase portfolio of 110 leases with an outstanding principal of approximately \$72.0 million.

Debt Management completed the formation of Convention Center Facilities District No. 2012-1 (District) in Fiscal Year 2012 to provide a primary financing mechanism for the San Diego Convention Center Phase III Expansion Project based on the legal framework authorized under the Mello-Roos Community Facilities Act of 1982. In Fiscal Year 2013, City Council approved the Special Tax Ordinance for the District which facilitates the levy of special taxes within the District, and authorized a short-term note financing to fund certain initial costs of the expansion. The collection of special taxes and note financing are subject to a successful judicial validation of the special tax and California Coastal Commission approval of the project. Pending such milestones, Debt Management anticipates initiating the Special Tax levy and conducting the financing allowing for the implementation of the project.

In addition to the completed financings described above, the Department is currently working on a range of other financing projects including the financial planning for the General Fund deferred capital improvement projects and the annual Master Lease Agreement to establish funding option for Fiscal Year 2014 equipment and vehicle replacement needs.

Debt Management manages an outstanding debt portfolio of approximately \$2.8 billion including all General Fund, Enterprise Fund, and Special District outstanding bonds. In addition, a portion of the former Redevelopment Agency (RDA) issued bonds administration and RDA credit-related matters were transitioned to Debt Management after the dissolution of the former Redevelopment Agency in 2012. The activities conducted in managing the portfolio include coordination and preparation of continuing disclosure reports in conformance with federal and State laws and the payment of debt service. The Department continues to review and enhance its formal centralized monitoring framework for post-issuance compliance. In Fiscal Year 2013, the Department expanded its monitoring of document retention requirements related to bond proceeds and bond financed facilities consistent with Internal Revenue Service guidelines. The Department also continues to maintain an investor webpage to provide outreach to current and prospective investors on bond disclosure, ratings, and the calendar of upcoming financings. In Fiscal Year 2013, in accordance with new guidelines established by the Municipal Securities Regulatory Board (MSRB), the Investor Webpage was expanded to include the City's outstanding private bank loan obligations.

# Debt Management

## Department Summary

	FY2012 Actual	FY2013 Budget	FY2014 Adopted	FY2013–2014 Change
FTE Positions (Budgeted)	18.00	18.00	<b>19.00</b>	1.00
Personnel Expenditures	\$ 1,968,597	\$ 2,141,051	\$ <b>2,265,514</b>	\$ 124,463
Non-Personnel Expenditures	135,596	215,805	<b>182,297</b>	(33,508)
<b>Total Department Expenditures</b>	<b>\$ 2,104,192</b>	<b>\$ 2,356,856</b>	<b>\$ 2,447,811</b>	<b>\$ 90,955</b>
<b>Total Department Revenue</b>	<b>\$ 793,675</b>	<b>\$ 660,645</b>	<b>\$ 548,645</b>	<b>\$ (112,000)</b>

## General Fund

### Department Expenditures

	FY2012 Actual	FY2013 Budget	FY2014 Adopted	FY2013–2014 Change
Debt Management	\$ 2,104,192	\$ 2,356,856	\$ <b>2,447,811</b>	\$ 90,955
<b>Total</b>	<b>\$ 2,104,192</b>	<b>\$ 2,356,856</b>	<b>\$ 2,447,811</b>	<b>\$ 90,955</b>

### Department Personnel

	FY2012 Budget	FY2013 Budget	FY2014 Adopted	FY2013–2014 Change
Debt Management	18.00	18.00	<b>19.00</b>	1.00
<b>Total</b>	<b>18.00</b>	<b>18.00</b>	<b>19.00</b>	<b>1.00</b>

### Significant Budget Adjustments

	FTE	Expenditures	Revenue
<b>Addition of Program Coordinator</b> Addition of 1.00 Program Coordinator to perform post-issuance administration and credit support for the former Redevelopment Agency bond program.	1.00	\$ 159,442	\$ -
<b>Non-Discretionary Adjustment</b> Adjustment to expenditure allocations that are determined outside of the department's direct control. These allocations are generally based on prior year expenditure trends and examples of these include utilities, insurance, and rent.	0.00	4,035	-
<b>Salary and Benefit Adjustments</b> Adjustments to reflect the annualization of the Fiscal Year 2013 negotiated salary compensation schedule, changes to savings resulting from positions to be vacant for any period of the fiscal year, retirement contributions, retiree health contributions, and labor negotiation adjustments.	0.00	(34,979)	-
<b>Equipment/Support for Information Technology</b> Adjustment to expenditure allocations according to a zero-based annual review of information technology funding requirements and priority analyses.	0.00	(37,543)	-
<b>Revised Revenue</b> Adjustment to reflect Fiscal Year 2014 revenue projections.	0.00	-	(112,000)
<b>Total</b>	<b>1.00</b>	<b>\$ 90,955</b>	<b>\$ (112,000)</b>

# Debt Management

## Expenditures by Category

	FY2012 Actual	FY2013 Budget	FY2014 Adopted	FY2013–2014 Change
<b>PERSONNEL</b>				
Personnel Cost	\$ 1,261,676	\$ 1,333,884	\$ 1,380,395	\$ 46,511
Fringe Benefits	706,921	807,167	885,119	77,952
<b>PERSONNEL SUBTOTAL</b>	<b>\$ 1,968,597</b>	<b>\$ 2,141,051</b>	<b>\$ 2,265,514</b>	<b>\$ 124,463</b>
<b>NON-PERSONNEL</b>				
Supplies	\$ 15,187	\$ 23,556	\$ 25,090	\$ 1,534
Contracts	21,892	49,105	48,781	(324)
Information Technology	75,014	116,638	73,873	(42,765)
Energy and Utilities	15,233	13,608	15,764	2,156
Other	7,409	11,351	17,051	5,700
Transfers Out	862	547	738	191
Capital Expenditures	-	1,000	1,000	-
<b>NON-PERSONNEL SUBTOTAL</b>	<b>\$ 135,596</b>	<b>\$ 215,805</b>	<b>\$ 182,297</b>	<b>\$ (33,508)</b>
<b>Total</b>	<b>\$ 2,104,192</b>	<b>\$ 2,356,856</b>	<b>\$ 2,447,811</b>	<b>\$ 90,955</b>

## Revenues by Category

	FY2012 Actual	FY2013 Budget	FY2014 Adopted	FY2013–2014 Change
Charges for Services	\$ 793,675	\$ 660,645	\$ 548,645	\$ (112,000)
<b>Total</b>	<b>\$ 793,675</b>	<b>\$ 660,645</b>	<b>\$ 548,645</b>	<b>\$ (112,000)</b>

## Personnel Expenditures

Job Number	Job Title / Wages	FY2012 Budget	FY2013 Budget	FY2014 Adopted	Salary Range	Total
<b>FTE, Salaries, and Wages</b>						
20000149	Associate Economist	3.00	3.00	3.00	\$54,059 - \$65,333	\$ 144,274
20000119	Associate Management Analyst	2.00	2.00	2.00	54,059 - 65,333	57,122
20000539	Clerical Assistant 2	1.00	1.00	1.00	29,931 - 36,067	32,039
20001101	Department Director	1.00	1.00	1.00	59,155 - 224,099	148,124
20001234	Program Coordinator	6.00	6.00	7.00	23,005 - 137,904	598,399
20001222	Program Manager	2.00	2.00	2.00	46,966 - 172,744	220,238
20000015	Senior Management Analyst	2.00	2.00	2.00	59,363 - 71,760	140,814
20000756	Word Processing Operator	1.00	1.00	1.00	31,491 - 37,918	35,616
	Overtime Budgeted					3,769
<b>FTE, Salaries, and Wages Subtotal</b>		<b>18.00</b>	<b>18.00</b>	<b>19.00</b>		<b>\$ 1,380,395</b>

	FY2012 Actual	FY2013 Budget	FY2014 Adopted	FY2013–2014 Change
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## Fringe Benefits

Employee Offset Savings	\$ 22,451	\$ 31,393	\$ 33,524	\$ 2,131
Flexible Benefits	112,885	122,915	136,776	13,861
Insurance	317	-	-	-
Long-Term Disability	7,292	7,706	7,476	(230)
Medicare	16,828	16,997	17,642	645
Other Post-Employment Benefits	42,280	107,559	112,338	4,779
Retiree Medical Trust	376	348	652	304
Retirement 401 Plan	1,395	1,394	2,197	803
Retirement ARC	425,492	426,870	450,649	23,779



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	FY2012 Actual	FY2013 Budget	FY2014 Adopted	FY2013-2014 Change
Retirement DROP	2,756	2,745	5,490	2,745
Retirement Offset Contribution	1,783	1,834	-	(1,834)
Risk Management Administration	17,044	17,714	17,046	(668)
Supplemental Pension Savings Plan	42,904	46,751	67,713	20,962
Unemployment Insurance	4,154	3,920	3,968	48
Workers' Compensation	8,962	19,021	29,648	10,627
<b>Fringe Benefits Subtotal</b>	<b>\$ 706,921</b>	<b>\$ 807,167</b>	<b>\$ 885,119</b>	<b>\$ 77,952</b>
<b>Total Personnel Expenditures</b>			<b>\$ 2,265,514</b>	



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