

Debt Management



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Department Description

The Debt Management Department conducts planning, structuring, and issuance activities for all City financings to fund cash flow needs and 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. The Department monitors outstanding bond issuances for refunding opportunities and performs, coordinates, and monitors certain post-issuance administrative functions. The Department also maintains the City's Investor Information webpage to provide outreach to current and prospective investors on bond disclosures, credit ratings, and the calendar of upcoming bond issuances.

Debt Management is organized into the following functional areas:

General Fund Financings and Post-Issuance Administration

General Fund Financings and Post-Issuance 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. This also includes the coordination and post-issuance administration of financings supported by special dedicated revenues sources such as certain former Redevelopment Agency debt, Qualified Energy Conservation Bonds (QECBs), and Tobacco Settlement Revenue Bonds.

Enterprise Fund Financing and Post-Issuance Administration

Enterprise Fund Financing and Post-Issuance 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.

Investor Outreach and Credit Matters

Investor Outreach and Credit Matters coordinates the City's efforts to provide transparent and timely information to the City's current and prospective bond investors and the rating agencies that evaluate the City's credits. This outreach is conducted through the City's Investor Information Webpage, the Electronic Municipal Market Access (EMMA) provided by the Municipal Securities Rulemaking Board (MSRB), periodic financial updates, and the coordination of the credit review process in conjunction with new debt issuances.

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Equipment and Vehicle Financing Program (EVFP)

EVFP Administration coordinates the City's lease purchase of essential vehicles and equipment typically over a 3- to 10-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 Enterprise Resource Planning system. Various post-issuance administrative functions are performed related to the vehicle lease purchase program.

The Department's mission is:

To provide effective and innovative debt management to support citywide financing priorities

Goals and Objectives

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

Goal 1: Create and implement sound capital financing plans

Creating 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
- Implement financings in a cost-effective manner

Goal 2: Actively manage post-bond issuance requirements

Post-bond issuance requirements are important processes 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:

- Actively manage covenant compliance monitoring for all outstanding bond issuances
- Optimize returns from various bond funds conforming to various bond covenants and requirements
- Perform timely reporting to bondholders

Goal 3: Adhere to best practices in debt administration

Adhering to best practices is vital to improving and maintaining effective debt management administration, including strong disclosure practices and providing timely and accurate financial reporting. The Department accomplishes this goal by focusing on the following objectives:

- Ensure active investor outreach through the City's Investor Information webpage
- Implement and execute financings and post-issuance disclosures that follow the City's model disclosure practices
- Conduct regular review of the City's Debt Policy to continue to meet current industry standards

Goal 4: Develop a skilled professional workforce and promote highest ethical standards

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

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Key Performance Indicators

Performance Indicator	Actual FY2014	Target FY2015	Actual FY2015	Target FY2016
1. Percent of debt payments made to bond trustees on time	100%	100%	100%	100%
2. Percent of bond offering disclosures reviewed by the City's Disclosure Practices Working Group (DPWG)	100%	100%	100%	100%
3. Percent of professional development goals met by the Department to maintain a skilled workforce	100%	97%	100%	100%
4. Percent of all disclosures for outstanding bonds filed in a timely manner consistent with continuing disclosure agreements	100%	100%	100%	100%
5. Percent of City bond issues incorporated into the City's Formal Centralized Monitoring Program framework for bond compliance	100%	100%	100%	100%
6. Percent of City public bond offerings priced within reasonable margins of comparable credits in the primary or secondary markets	100%	100%	100%	100%

Service Efforts and Accomplishments

Upon receiving a favorable court ruling in April 2015, Debt Management conducted the Capital Improvement Projects Lease Revenue Bonds, Series 2015A and Series 2015B, funding \$120.0 million of bond proceeds for capital improvement projects for streets, sidewalks, facilities (including libraries and fire stations), ADA improvements, and storm drain improvements. Since 2009, the Department has managed the lease revenue bonds issuance process totaling approximately \$333.0 million, funding various General Fund Capital Improvement Projects.

Debt Management continually monitors the municipal bond market to identify refunding candidates among its outstanding bond issuances. The Department performed activities to advance refund the 2007A Public Facilities Financing Authority Ballpark Lease Revenue Refunding Bonds. The Ballpark Bonds refunding was expected to be executed in the summer of 2015; however, a lawsuit has delayed the planned issuance. Once the lawsuit is resolved favorably to the City, and depending on market conditions at that time, the City would execute the issuance to produce debt service savings for the City's General Fund. Debt Management also expects to conduct a partial advance refunding in the fall of 2015 of the Public Facilities Financing Authority Senior Sewer Revenue Bonds Series 2009A, 2009B, and 2010A to generate debt service savings for the Sewer Utility Fund.

In addition, in June 2015, Debt Management facilitated the issuance of the City's Community Facilities District No. 2 (Santaluz) Improvement Area No. 3 and Improvement Area No. 4 Special Tax Refunding Bonds Series 2015 to refund bonds previously issued to finance various public facilities within, or serving, the district. With respective par issue sizes of \$3.4 million and \$6.2 million, the refundings generated 14.1% and 12.0% in net present value savings, or approximately \$0.7 million and \$1.4 million in gross cumulative cash flow savings, benefiting the property owners in Improvement Area No. 3 and Improvement Area No. 4 of the District.

Debt Management also facilitated the funding of a Fire-Rescue boat, Marine 3, utilizing the City's Equipment and Vehicle Financing Program. The new, state-of-the-art, 43-foot vessel can assist in fighting fires and will help protect the area's beaches.

In March 2014, the SEC announced the Municipalities Continuing Disclosure Cooperation (MCDC) Initiative which was designed to encourage all municipal issuers and underwriters of municipal securities to self-report any violations of the federal securities laws pertaining to materially inaccurate statements in final official statements regarding the

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issuer's prior compliance with its continuing disclosure obligations over the past five years. The City, particularly Debt Management, undertook a comprehensive review of City issuances and was able to confirm by the SEC's due date with external verification by all of the City's underwriters, the City was compliant in all material disclosures concerning its prior compliance with continuing disclosure agreements over the reporting period.

In Fiscal Year 2015, Debt Management played an integral role in analyzing the key elements of the new criteria instituted by Moody's Investor Service (Moody's) for rating the creditworthiness of United States Local Governments, as well as coordinating resources from the Office of the City Comptroller and Financial Management Department to present the requisite information and financial results to Moody's. On November 12, 2014, following its review of the City under the new criteria, Moody's raised the City's issuer credit rating to Aa2 from Aa3. The City's General Fund lease revenue bonds credit rating was also raised to A1 from A2 and Moody's confirmed a stable outlook for the City.

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Department Summary

	FY2014 Actual	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change
FTE Positions (Budgeted)	19.00	19.00	19.00	0.00
Personnel Expenditures	\$ 2,200,170	\$ 2,202,407	\$ 2,420,131	\$ 217,724
Non-Personnel Expenditures	141,118	245,807	338,697	92,890
Total Department Expenditures	\$ 2,341,288	\$ 2,448,214	\$ 2,758,828	\$ 310,614
Total Department Revenue	\$ 896,162	\$ 683,645	\$ 711,645	\$ 28,000

General Fund

Department Expenditures

	FY2014 Actual	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change
Debt Management	\$ 2,341,288	\$ 2,448,214	\$ 2,758,828	\$ 310,614
Total	\$ 2,341,288	\$ 2,448,214	\$ 2,758,828	\$ 310,614

Department Personnel

	FY2014 Budget	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change
Debt Management	19.00	19.00	19.00	0.00
Total	19.00	19.00	19.00	0.00

Significant Budget Adjustments

	FTE	Expenditures	Revenue
Salary and Benefit Adjustments Adjustments to reflect the annualization of the Fiscal Year 2015 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	\$ 217,678	\$ -
Enhanced Infrastructure Financing District Addition of non-personnel expenditures for legal and financial consultants to conduct a feasibility study on forming an Enhanced Infrastructure Financing District.	0.00	100,000	-
Addition of Contractual Expenditures Addition of one-time non-personnel expenditures for as-needed financial advisory services related to non-bond transaction needs.	0.00	52,000	-
Non-Discretionary Adjustment 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	2,143	-
Hourly Sick Leave Addition of personnel expenditures for paid sick leave benefits for eligible hourly employees consistent with the requirements of Assembly Bill 1522.	0.00	46	-

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Significant Budget Adjustments (Cont'd)

	FTE	Expenditures	Revenue
Equipment/Support for Information Technology Adjustment to expenditure allocations according to a zero-based annual review of information technology funding requirements and priority analyses.	0.00	(9,253)	-
One-Time Reductions and Annualizations Adjustment to reflect the removal of one-time revenues and expenditures, and the annualization of revenues and expenditures, implemented in Fiscal Year 2015.	0.00	(52,000)	-
Revised Revenue Adjustment to reflect Fiscal Year 2016 revenue projections.	0.00	-	28,000
Total	0.00	\$ 310,614	\$ 28,000

Expenditures by Category

	FY2014 Actual	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change
PERSONNEL				
Personnel Cost	\$ 1,347,255	\$ 1,397,014	\$ 1,515,483	\$ 118,469
Fringe Benefits	852,915	805,393	904,648	99,255
PERSONNEL SUBTOTAL	2,200,170	2,202,407	2,420,131	217,724
NON-PERSONNEL				
Supplies	\$ 11,007	\$ 23,755	\$ 23,292	\$ (463)
Contracts	58,786	142,358	240,442	98,084
Information Technology	50,646	56,044	46,791	(9,253)
Energy and Utilities	15,730	17,601	22,123	4,522
Other	4,267	5,049	5,049	-
Transfers Out	681	-	-	-
Capital Expenditures	-	1,000	1,000	-
NON-PERSONNEL SUBTOTAL	141,118	245,807	338,697	92,890
Total	\$ 2,341,288	\$ 2,448,214	\$ 2,758,828	\$ 310,614

Revenues by Category

	FY2014 Actual	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change
Charges for Services	\$ 896,151	\$ 683,645	\$ 711,645	\$ 28,000
Other Revenue	11	-	-	-
Total	\$ 896,162	\$ 683,645	\$ 711,645	\$ 28,000

Personnel Expenditures

Job Number	Job Title / Wages	FY2014 Budget	FY2015 Budget	FY2016 Adopted	Salary Range	Total
FTE, Salaries, and Wages						
20000149	Associate Economist	3.00	3.00	3.00	\$54,059 - \$65,333	\$ 176,823
20000119	Associate Management Analyst	2.00	2.00	2.00	54,059 - 65,333	97,959
20000539	Clerical Assistant 2	1.00	1.00	1.00	29,931 - 36,067	35,526
20001101	Department Director	1.00	1.00	1.00	59,155 - 224,099	165,000
20001234	Program Coordinator	7.00	7.00	7.00	23,005 - 137,904	619,924
20001222	Program Manager	2.00	2.00	2.00	46,966 - 172,744	234,998
20000015	Senior Management Analyst	2.00	2.00	2.00	59,363 - 71,760	143,520

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Personnel Expenditures (Cont'd)

Job Number	Job Title / Wages	FY2014 Budget	FY2015 Budget	FY2016 Adopted	Salary Range	Total
20000756	Word Processing Operator	1.00	1.00	1.00	31,491 - 37,918	37,918
	Overtime Budgeted					3,769
	Sick Leave - Hourly					46
FTE, Salaries, and Wages Subtotal		19.00	19.00	19.00		\$ 1,515,483
		FY2014 Actual	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change	
Fringe Benefits						
	Employee Offset Savings	\$ 18,676	\$ 20,780	\$ 19,213	\$ (1,567)	
	Flexible Benefits	135,673	143,771	190,075	46,304	
	Insurance	288	-	-	-	
	Long-Term Disability	10,829	4,732	4,929	197	
	Medicare	17,003	17,333	19,311	1,978	
	Other Post-Employment Benefits	116,273	109,188	111,834	2,646	
	Retiree Medical Trust	987	962	1,337	375	
	Retirement 401 Plan	2,559	2,883	3,278	395	
	Retirement ADC	429,505	403,207	424,946	21,739	
	Retirement DROP	5,511	5,490	5,490	-	
	Retirement Offset Contribution	15	-	-	-	
	Risk Management Administration	17,265	17,046	19,950	2,904	
	Supplemental Pension Savings Plan	68,763	66,792	78,571	11,779	
	Unemployment Insurance	3,716	2,709	2,826	117	
	Workers' Compensation	25,854	10,500	22,888	12,388	
Fringe Benefits Subtotal		\$ 852,915	\$ 805,393	\$ 904,648	\$ 99,255	
Total Personnel Expenditures					\$ 2,420,131	