

CITY OF SAN DIEGO



PROPOSED BUDGET



2015

FISCAL
YEAR



Debt Obligations

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

Projected Outstanding Principal as of June 30, 2014

- General Fund backed Lease-Revenue Obligations: \$621.9 million
- Public Utilities - Water System Obligations: \$752.2 million
- Public Utilities - Wastewater System Obligations: \$1.03 billion

Issuer Rating/General Fund Lease Obligations Ratings as of March 2014

- Standard & Poor's: AA/AA-, 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 March 2014

Water (Senior/Subordinate)

- Standard & Poor's: AA-/Not Rated, Stable Outlook
- Fitch Ratings: AA/AA-, Stable Outlook
- Moody's Investors Service: Aa2/Aa3, Stable Outlook

Wastewater

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

Lease Revenue Bonds 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. 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.

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 utility Revenue Bonds are

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.

Debt Obligations

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 summarizes the City's projected outstanding long-term bond obligations as of June 30, 2014, and the projected bond debt/lease payment for each outstanding issuance for Fiscal Year 2015.

Table 1: Summary of Debt Obligations

		Projected Principal Outstanding 6/30/2014	Projected FY 2015 Debt/Lease Payment	Final Maturity	Primary Funding Source
General Fund Lease Revenue Bond Obligations					
Lease Revenue Bonds					
2007A	Ballpark Refunding Bonds	\$ 129,780,000	\$ 11,315,250	FY 2032	Transient Occupancy Tax
2010A	Master Refunding Bonds ¹	\$ 155,170,000	\$ 12,993,625	FY 2040	General Fund, Stadium, Transient Occupancy Tax, & Capital Outlay
2011	Qualified Energy Conservation Bonds (Broad Spectrum Street Lighting Project) ²	\$ 10,862,911	\$ 1,460,993	FY 2026	Street Light Energy and Maintenance Cost Savings
2012A	Convention Center Expansion Financing Authority Lease Revenue Refunding Bonds	\$ 126,610,000	\$ 12,560,650	FY 2028	Transient Occupancy Tax
2012A	Deferred CIP Lease Revenue Bonds	\$ 70,215,000	\$ 4,590,325	FY 2042	General Fund, Capital Outlay Fund
2012B	Fire & Life Safety Refunding Bonds	\$ 17,720,000	\$ 1,379,719	FY 2032	Safety Sales Tax
2013A	General Fund CIP Bonds & 2003 Old Town Light Rail Extension Refunding	\$ 41,590,000	\$ 3,211,506	FY 2043	General Fund, Transient Occupancy Tax
2013B	2003 Balboa Park/Mission Bay Park Refunding Bonds	\$ 5,845,000	\$ 745,275	FY 2023	Transient Occupancy Tax
2014A	General Fund CIP Bonds ³	\$ 64,070,000	\$ 4,200,000	FY 2044	General Fund
Total General Fund Lease Revenue Bond Obligations		\$ 621,862,911	\$ 52,457,343		
Public Utilities - Wastewater and Water System Revenue Bond Obligations⁴					
Wastewater System Revenue Bond Obligations					
2009A	Sewer Revenue Bonds	\$ 394,500,000	\$ 36,280,931	FY 2039	Net Wastewater System Revenues
2009B	Sewer Revenue Refunding Bonds	\$ 469,640,000	\$ 57,703,988	FY 2025	Net Wastewater System Revenues
2010A	Sewer Revenue Refunding Bonds	\$ 161,930,000	\$ 8,501,325	FY 2029	Net Wastewater System Revenues

Debt Obligations

Table 1: Summary of Debt Obligations (Cont'd)

		Projected Principal Outstanding 6/30/2014	Projected FY 2015 Debt/Lease Payment	Final Maturity	Primary Funding Source
Total Wastewater System Revenue Bond Obligations		\$ 1,026,070,000	\$ 102,486,244		
Water System Revenue Bond Obligations					
2009A	Water Revenue Bonds	\$ 151,520,000	\$ 8,680,775	FY 2039	Net Water System Revenues
2009B	Water Revenue Bonds	\$ 306,140,000	\$ 21,736,869	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	\$ 171,505,000	\$ 23,395,725	FY 2033	Net Water System Revenues
Total Water System Revenue Bond Obligations		\$ 752,240,000	\$ 60,123,844		
McGuigan Settlement					
2010	McGuigan Settlement Modification	\$ 8,660,952	\$ 8,993,762	FY 2015	General Fund and Misc. Special Funds

¹ 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.

² 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 2015 subsidy is anticipated to be \$378,937 resulting in a net lease payment of \$1,082,056 after accounting for the subsidy.

³ Estimates for a proposed bond issuance. To be updated when bonds are issued.

⁴ In addition to bonds, the Water and Wastewater Systems have outstanding State Revolving Fund (SRF) loan obligations. The Water System SRF loans have a projected outstanding principal loan balance as of June 30, 2014 of approximately \$73.4 million. The Wastewater System SRF loans have a projected outstanding principal loan balance as of June 30, 2014 of approximately \$114.2 million.

In addition to long-term debt obligations, as needed, the City may issue Tax and Revenue Anticipation Notes (TRANs) to meet General Fund cash flow needs in anticipation of the receipt of property tax revenues later in a fiscal year. In Fiscal Year 2014, the City did not issue Tax and Revenue Anticipation Notes and does not plan to issue a TRAN in Fiscal Year 2015.

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-year to ten-year term and based on useful life expectancy of the equipment. As of June 30, 2014, the projected outstanding principal for various lease purchase obligations is estimated at \$65.3 million. These purchases span various lease terms and cover a variety of essential purpose assets. Examples include: fire trucks, refuse packers, service trucks, IT Equipment, Automated Water Meter Infrastructure, GPS equipment, 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 Loan Program managed by the State. 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.

Debt Obligations

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 properties. These bonds are not fiscal obligations of the City.