

# Debt Management



## Department Description

Debt Management administers all debt issuances, short-term and long-term, for the City. Debt Management conducts planning, structuring, and issuance activities for short-term and long-term financing to meet the City's cash flow needs and to provide funds for capital projects, equipment, and vehicles. In addition, the Department 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 also monitors outstanding debt issuances for refunding opportunities and performs, coordinates, and monitors certain post-issuance administrative functions. With respect to the latter, Debt Management works with the Office of the City Attorney, outside counsel, and other departments to administer debt service payments; monitor the City's compliance with existing bond covenants; coordinate the filing of annual continuing disclosure reports; and respond to requests for information related to outstanding bonds.

Debt Management also performs financial analysis for the Mayor, City Council, and City departments. The Department works with the Water and Metropolitan Wastewater Departments to develop financial plans and identify infrastructure funding based on the Water and Metropolitan Wastewater Departments' rate analyses, projections, and federal, State, and local mandates.

Debt Management is organized into the following functions:

### **Citywide Contractual Services**

Citywide Contractual Services provides funds for consulting contracts, including financial advisory and bond counsel contracts and for services relating to a wide range of financing issues.

### **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 certain post-debt issuance administrative functions, including continuing disclosure annual report filings.

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

General Fund Financing and Administration coordinates the structuring and issuance of bond financing for City capital projects funded and secured by the City's General Fund and performs or coordinates certain post-debt issuance administrative functions, including continuing disclosure annual report filings.

# Debt Management

## **Special Districts Financing and Administration**

Special Districts Financing and Administration coordinates Community Facilities District and 1913/1915 Act Assessment District formation procedures and related bond issuances, and performs or coordinates certain post-debt issuance administrative functions, including the calculation and enrollment of special taxes and assessments and continuing disclosure annual report filings.

The Department's mission is:

*To provide a 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 structuring considerations*

## **Goals and Objectives**

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

### ***Goal 1: Offer innovative financial products to effectuate the City's capital financing plan***

Offering innovative financial products as part of the City's capital plan will enable the City to pay for much needed capital projects. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Implement and execute financings for capital needs on a timely basis
- Ensure financings implemented are cost-effective

### ***Goal 2: Implement the use of best practices***

Use of best practices is vital in improving and maintaining the efficiency and effectiveness of any organization. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Maintain efficiency and accuracy of Department operations
- Enhance document retention and access practices
- Establish and regularly update the City investor web page

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

Post-issuance compliance is an important process necessary to maintaining the tax exemption of interest on outstanding obligations and in ensuring the City's compliance with federal securities laws. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Optimize returns from bond funds
- Perform regular financial reporting for all stakeholders
- Ensure that the compliance monitoring process is efficient and effective

### ***Goal 4: Adhere to best practices as it relates to disclosure***

Enhanced disclosure practices improve the process of providing timely and accurate financial reporting to stakeholders. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objective.

- Implement and execute financings that adhere to the City's disclosure practices

### ***Goal 5: Promote the highest ethical standards and behavior among employees***

Promote and enforce the City's ethical practices to ensure integrity, accountability, service, team support, openness, and diversity within the Department. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Offer training to management and staff on ethical standards
- Management review of standards and ethical practices with staff on a regular basis

### ***Goal 6: Hire, retain and develop skilled employees***

Developing and retaining a trained and skilled workforce is essential to the success of the Department. Ensuring that our employees are trained and have access to the necessary resources will create a higher performing organization

# Debt Management

that operates more efficiently and effectively. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Promote and develop excellence and high caliber in the Department
- Ensure knowledge transfer occurs to develop bench strength

## Service Efforts and Accomplishments

The following are the service efforts and accomplishments in Fiscal Year 2009 for the Debt Management Department:

### General Fund

Debt Management facilitated the private placement of \$135 million of Tax and Revenue Anticipation Notes to fund Fiscal Year 2009 cash flow needs. The Department has started work on Fiscal Year 2010 Tax and Revenue Anticipation Notes, which is expected to occur via a public offering, to meet the cash flow needs of the upcoming fiscal year.

### Water and Wastewater Enterprises

In January 2009, Debt Management successfully closed the City's Water Revenue Bond offering – the first public offering in more than five years. A second Water offering is anticipated to be executed in June 2009. This will provide funding for the Water System's capital improvement plan through the end of Fiscal Year 2010. Long-term public financing work is in progress for the Wastewater program to facilitate the repayment of the privately placed Sewer Revenue Note by May 15, 2009. Long-term bonds are also expected to be issued to provide Capital Improvements Program (CIP) funding for Wastewater System's capital improvement through the end of Fiscal Year 2011 and to refinance outstanding long term Sewer Revenue Bonds when economical.

### Equipment Vehicle and Financing Program

In Fiscal Year 2009, the Department expects to facilitate the lease-purchase of motive equipment to meet fleet replacement needs in the amount of approximately \$12 million. In addition to fleet replacement, this program is expected to facilitate the lease purchase of equipment totaling approximately \$23 million for the Environmental Services and Water Departments.

### Other

The City has become current with its annual reporting obligations with the completion of the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2007. Debt Management has cleared a backlog of five continuing disclosure annual reports in Calendar Year 2008. In addition, Debt Management coordinated presentations to the credit rating agencies in June 2008 and again in November 2008 in connection with the City's Water Revenue Bond offering and General Fund credit update.

## Budget Dollars at Work: Performance Expectations

### Goal 1: Offer innovative financial products to effectuate the City's capital financing plan

Performance Measure	Baseline FY2008	Estimated FY2009	Target FY2010
1. Percent of City's priority financings completed	N/A <sup>1</sup>	83%	100%
2. Number of new city bond issuances priced no higher than 1% of the average rate achieved by other comparable municipal credits priced in the same time frame	100%	100%	100%

<sup>1</sup> Measures were established in Fiscal Year 2009. Before the measure was established, data from Fiscal Year 2008 was erroneously included in the Fiscal Year 2009 budget.

# Debt Management

## Goal 2: Implement the use of best practices

Performance Measure	Baseline FY2008	Estimated FY2009	Target FY2010
1. Average number of days for the Formal Centralized Monitoring Program (FCMP) semi-annual compliance status reports to be completed (to support internal controls for the City)	N/A	54 days	within 45 days of the end of the reporting period
2. Percent of debt payments made to bond trustees on time	100%	100%	100%
3. Percent of digital access for ongoing and future financings	N/A <sup>1</sup>	100%	100%
4. Percent of the City investor webpage completed	N/A <sup>1</sup>	100%	100%

## Goal 3: Manage post-issuance compliance

Performance Measure	Baseline FY2008	Estimated FY2009	Target FY2010
1. Percent of bond-related investments which are actively evaluated and re-invested as they come to term	N/A <sup>1</sup>	100%	100%
2. Percent of continuing disclosure annual reports filed on or before due dates	N/A <sup>1</sup>	100% <sup>2</sup>	100%
3. Average number of days for the Formal Centralized Monitoring Program (FCMP) semi-annual compliance status reports to be completed (to support internal controls for the City)	N/A	54 days	within 45 days of the end of the reporting period

## Goal 4: Adhere to best practices as it relates to disclosure

Performance Measure	Baseline FY2008	Estimated FY2009	Target FY2010
1. Percent of primary offering disclosures coordinated by the Department that adhere to Disclosure Practices Working Group (DPWG) Controls and Procedures	N/A <sup>1</sup>	100%	100%

## Goal 5: Promote the highest ethical standards and behavior among employees

Performance Measure	Baseline FY2008	Estimated FY2009	Target FY2010
1. Percent of staff attending available citywide training on ethics and general citywide codes of conduct	N/A <sup>1</sup>	90%	100%

## Goal 6: Hire, retain and develop skilled employees

Performance Measure	Baseline FY2008	Estimated FY2009	Target FY2010
1. Percent accomplishment of the Department Professional Development Performance Index (PDPI) <sup>3</sup> as established by the Department	N/A	100%	100%

<sup>2</sup> This performance measure is met by filing the Fiscal Year 2008 Comprehensive Annual Financial Report in Fiscal Year 2009.

<sup>3</sup> The Department established several training goals, each of which is assigned a Professional Development Performance Index (PDPI) percentage. The total of the indices for all training goals is 100 percent. The index for each goal is multiplied by the percent completion for that goal. The cumulative result is the percent accomplishment for the measure.

# Debt Management

## Budget Dollars at Work: Sizing and Workload Data

	FY2006	FY2007	FY2008	Estimated FY2009	Target <sup>(5)</sup> FY2010
<b>Workload Data</b>					
Dollars administered in outstanding financed obligations (fiscal year end)	\$2.58B	\$2.68B	\$2.75B	\$3.01B	\$3.10B
Funding provided through executed financings for infrastructure, capital projects, essential equipment, and working capital	\$277M	\$492M	\$291M	\$520M	\$175M
Number of Community Facilities District and Assessment District parcels administered	8,653	8,759	8,542	8,494	8,497
Value of special taxes and assessments levied	\$18.0M	\$16.9M	\$17.1M	\$16.7M	\$16.9M



# Debt Management

## Department Summary

Debt Management				
	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 PROPOSED	FY 2009-2010 CHANGE
Positions	22.00	22.00	<b>21.00</b>	(1.00)
Personnel Expense	\$ 2,346,312	\$ 2,402,590	\$ <b>2,312,043</b>	\$ (90,547)
Non-Personnel Expense	\$ 384,089	\$ 351,326	\$ <b>409,413</b>	\$ 58,087
<b>TOTAL</b>	\$ <b>2,730,401</b>	\$ <b>2,753,916</b>	\$ <b>2,721,456</b>	\$ (32,460)

## Department Staffing

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 PROPOSED
<b>GENERAL FUND</b>			
<b>Debt Management</b>			
Ent Fund Fin & Admin	2.30	2.30	<b>1.80</b>
Gen Fund Fin & Admin	14.00	14.00	<b>14.50</b>
Special Dist Fin & Admin	5.70	5.70	<b>4.70</b>
<b>Total</b>	<b>22.00</b>	<b>22.00</b>	<b>21.00</b>

## Department Expenditures

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 PROPOSED
<b>GENERAL FUND</b>			
<b>Debt Management</b>			
Administration	\$ 5,064	\$ 2,649	\$ -
Bond Financing, Utilities & Analysis	\$ 55,357	\$ 37,988	\$ <b>31,010</b>
City-Wide Contractual Services	\$ 115,112	\$ 115,112	\$ <b>115,112</b>
Debt Management	\$ 63,533	\$ (43,754)	\$ <b>(55,316)</b>
Ent Fund Fin & Admin	\$ 318,029	\$ 338,759	\$ <b>280,898</b>
Gen Fund Fin & Admin	\$ 1,520,674	\$ 1,594,383	\$ <b>1,728,827</b>
Special Dist Fin & Admin	\$ 652,632	\$ 708,779	\$ <b>620,925</b>
<b>Total</b>	\$ <b>2,730,401</b>	\$ <b>2,753,916</b>	\$ <b>2,721,456</b>

# Debt Management

## Significant Budget Adjustments

### GENERAL FUND

Debt Management	Positions	Cost	Revenue
<b>Salary and Benefit Adjustments</b>	0.00 \$	34,164 \$	0
Adjustments to reflect the annualization of the Fiscal Year 2009 negotiated salary compensation schedule, changes to average salaries, retirement contributions, retiree health contributions, and fringe adjustments.			
<b>Personnel Addition</b>	4.00 \$	449,382 \$	0
Adjustment reflects the addition of 4.00 Program Coordinator positions.			
<b>Equipment/Support for Information Technology</b>	0.00 \$	60,857 \$	0
Funding allocated according to a zero-based annual review of information technology funding requirements and priority analyses.			
<b>Revised Revenue</b>	0.00 \$	0 \$	(105,600)
Adjustment to reflect Fiscal Year 2010 revenue projections.			
<b>Non-Discretionary Adjustment</b>	0.00 \$	(2,770) \$	0
Adjustments to expense allocations that are determined outside of the department's direct control. These adjustments are generally based on prior year expenditure trends and examples of these include utilities, insurance, and rent.			
<b>Vacancy Savings</b>	0.00 \$	(55,316) \$	0
Adjustments to personnel expenses to reflect the anticipated savings resulting from positions projected to be vacant for any period of the fiscal year due to personnel attrition and salary differentials for new employees.			
<b>Personnel Reduction</b>	(5.00) \$	(518,777) \$	0
Adjustment reflects the reduction of 5.00 Senior Management Analyst positions.			

## Expenditures by Category

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 PROPOSED
<b>PERSONNEL</b>			
Salaries & Wages	\$ 1,557,979	1,607,470	<b>1,556,103</b>
Fringe Benefits	\$ 788,333	795,120	<b>755,940</b>
<b>SUBTOTAL PERSONNEL</b>	<b>2,346,312</b>	<b>2,402,590</b>	<b>2,312,043</b>
<b>NON-PERSONNEL</b>			
Supplies & Services	\$ 281,980	281,671	<b>274,616</b>
Information Technology	\$ 66,634	35,678	<b>90,054</b>
Energy/Utilities	\$ 16,544	15,046	<b>25,812</b>

# Debt Management

## Expenditures by Category

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 PROPOSED
<b>NON-PERSONNEL</b>			
Equipment Outlay	\$ 18,931	18,931	<b>18,931</b>
<b>SUBTOTAL NON-PERSONNEL</b>	384,089	351,326	<b>409,413</b>
<b>TOTAL</b>	2,730,401	2,753,916	<b>2,721,456</b>

## Revenues by Category

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 PROPOSED
<b>GENERAL FUND</b>			
Revenue from Other Agencies	\$ -	\$ -	<b>102,367</b>
Charges for Current Services	\$ 1,526,389	\$ 1,243,485	<b>1,035,518</b>
<b>TOTAL</b>	\$ 1,526,389	\$ 1,243,485	<b>\$ 1,137,885</b>

## Salary Schedule

### GENERAL FUND

#### Debt Management

<i>Class</i>	<i>Position Title</i>	<i>FY 2009 Positions</i>	<i>FY 2010 Positions</i>	<i>Salary</i>	<i>Total</i>
1106	Sr Management Analyst	5.00	<b>0.00</b>	\$ -	\$ -
1107	Administrative Aide II	1.00	<b>0.00</b>	\$ -	\$ -
1218	Assoc Management Analyst	1.00	<b>2.00</b>	\$ 63,595	\$ 127,190
1222	Assoc Economist	3.00	<b>3.00</b>	\$ 56,762	\$ 170,286
1535	Clerical Assistant II	1.00	<b>1.00</b>	\$ 35,402	\$ 35,402
1746	Word Processing Operator	1.00	<b>1.00</b>	\$ 37,643	\$ 37,643
1876	Executive Secretary	1.00	<b>1.00</b>	\$ 51,538	\$ 51,538
1917	Supv Management Analyst	5.00	<b>0.00</b>	\$ -	\$ -
1923	Supv Economist	1.00	<b>0.00</b>	\$ -	\$ -
2132	Department Director	1.00	<b>1.00</b>	\$ 134,998	\$ 134,998
2270	Program Manager	2.00	<b>2.00</b>	\$ 101,987	\$ 203,973
2282	Program Coordinator	0.00	<b>10.00</b>	\$ 81,943	\$ 819,434
	Vacancy Factor Adjustment	0.00	<b>0.00</b>	\$ -	\$ (55,316)
	Overtime Budgeted	0.00	<b>0.00</b>	\$ -	\$ 4,684
	Temporary Help	0.00	<b>0.00</b>	\$ -	\$ 26,271
	<b>Total</b>	22.00	<b>21.00</b>		<b>\$ 1,556,103</b>
<b>DEBT MANAGEMENT TOTAL</b>		22.00	<b>21.00</b>		<b>\$ 1,556,103</b>

