ATTORNEY TO CLIENT CORRESPONDENCE

Office of
The City Attorney
City of San Diego

MEMORANDUM
MS 59

(619) 236-6220

DATE: October 30, 2007

TO: Council Member Donna Frye

FROM: Mark D. Blake, Deputy City Attorney

SUBJECT: Debt Policy

The City's Debt Policy was presented to the Budget and Finance Committee on June 6, 2007, July 25, 2007 and again on September 26, 2007. Councilmember Frye requested the City Attorney's view on whether the City's Debt Policy should include certain other liabilities of the City, including among others, the City's unfunded pension liability and the City's other post employment benefit (OPEB) liability.

The Government Finance Officer's Association ("GFOA") recommends in a "white paper" that ". . . local governments adopt comprehensive written debt management policies, and that governments review them at least annually and revise them as necessary." A Debt Management Policy is a set of "written guidelines and restrictions that affect the amount and type of debt issued by a state or local government, the issuance process, and the management of a debt portfolio. A debt management policy improves the quality of decisions, provides justification for the structure of debt issuance, identifies policy goals, and demonstrates a commitment to long-term financial planning, including a multi-year capital plan. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and should meet its obligations in a timely manner." *Id.* For convenience, I have attached the GFOA guidelines as Exhibit A.

The GFOA's white paper does not necessarily define the term "debt" and to that end does address whether the City's pension unfunded liability or OPEB liability should be included in a Debt Management Policy. It is certainly the case that such liabilities do constitute significant obligations of the City (the combined amount of such obligations total over $2 billion, the annual payments for which will represent significant payments for the City), although distinct from the discrete debt instruments covered by the Debt Policy.[1] With that being the case, it is noted that

[1] It should be noted that the City's financial statements contain compilations of the long term liabilities of the City, categorized as governmental long-term liabilities. See e.g.. Note 5 to City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004. For convenience, Note 5 is attached hereto as Exhibit B.

the Debt Policy in Sections 4.1 through 4.3 of Chapter IV describes certain affordability metrics that the City can use to analyze the debt burdens placed on its citizens. While the metrics set forth in the Debt Policy exclude pension and OPEB liabilities it may be useful for the Council to request that the Mayor include metrics that attempt to ascertain the fiscal burden represented by such liabilities. At the very least, it would give the Council and the public a realistic snapshot of the future financial commitments of City. The City Attorney recommends that this report be done either during the budget season, or alternatively when the Debt Policy is reviewed.

MICHAEL J. AGUIRRE, City Attorney

By

Mark D. Blake
Chief Deputy City Attorney

MDB:jdf

cc: Michael J. Aguirre, City Attorney
Council President Peters and members of the City Council
Andrea Tevlin, Independent Budget Analyst

Exhibit A

GFOA RECOMMENDED PRACTICE

Debt Management Policy* (1995 and 2003)

Background. Debt management policies are written guidelines and restrictions that affect the amount and type of debt issued by a state or local government, the issuance process, and the management of a debt portfolio. A debt management policy improves the quality of decisions, provides justification for the structure of debt issuance, identifies policy goals, and demonstrates a commitment to long-term financial planning, including a multi-year capital plan. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and should meet its obligations in a timely manner.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. An effective debt management policy provides guidelines for a government to manage its debt program in line with those resources.

Recommendation. The Government Finance Officers Association (GFOA) recommends that all state and local governments adopt comprehensive written debt management policies, and that governments review them at least annually and revise them as necessary. A Debt Management Policy should address:

- *Direct Debt* - debt payable from general revenues, including capital leases,
- *Revenue Debt* - debt payable from a specific pledged revenue source,
- *Conduit Debt* - debt payable by third parties for which the government does not provide credit or security,
- *State Revolving Loan Funds and Pools*
- *Other Types of Hybrid Debt* – debt payable from special revenues or containing other unique security pledges, and
- *Interfund Borrowing* – loans for short-term cash flow needs.

1. ***Debt Limits.*** The Policy should define specific limits or acceptable ranges for each type of debt. Limits are generally set for legal, public policy, and financial reasons.

   a. *Legal limits* may be determined by:

   - State constitution or law,
   - Local charter, by-laws, resolution or ordinance, or covenant.

   b. *Public Policy limits* can include:

   - Purposes for which debt proceeds may be used or prohibited,
   - Types of debt that may be issued or prohibited,
   - Relationship to and integration with the Capital Improvement Program, and
   - Policy goals related to economic development, capital improvement financings, tax increment financing, and public-private partnerships.

   c. *Financial limits* generally reflect public policy or other financial resource constraints, such as reduced use of a particular type of debt due to changing financial conditions. Appropriate debt limits can positively impact bond ratings, if the government demonstrates adherence to such policies over time. Financial limits are often expressed as ratios customarily used by credit analysts. Different financial limits are used for different types of debt. Examples include:

- *Direct Debt* can be measured or limited by the following ratios:

  - ✓ Debt per capita,
  - ✓ Debt to personal income,
  - ✓ Debt to taxable property value, and
  - ✓ Debt service payments as a percentage of general fund revenues or expenditures.

- *Revenue Debt* levels are often limited by debt service coverage ratios (e.g., annual net pledged revenues to annual debt service) or credit rating impacts (e.g., additional bonds should not lower ratings) contained in bond covenants.

- *Conduit Debt* limitations may reflect the right of the issuing government to approve the borrower's creditworthiness, the purpose of the borrowing issue, or a minimum credit rating. Such limitations reflect sound public policy, particularly if there is a contingent impact on the general revenues of the government or marketability of the government's direct debt.

- *Short-Term Debt Issuance* should describe the specific purposes and circumstances under which it can be used, as well as limitations in term or size of borrowing.

2. ***Use of Derivatives.*** The Policy should:

- Specify how derivatives fit within the overall debt management program.
- State the conditions under which derivatives can be utilized.
- Identify the types of derivatives that may be employed or are prohibited.
- Identify approach(es) for measuring, evaluating, and managing derivative risk, including basis risk, tax risk, counter-party risk, termination risk, liquidity renewal risk, remarketing risk, and credit risk.
- State the methods for procuring and selecting derivative products.

3. ***Debt Structuring Practices.*** The Policy should include specific policies regarding the debt structuring practices for each type of bond, including:

- Maximum term (often stated in absolute terms or based on the useful life of the asset(s)),
- Average maturity,
- Debt service pattern such as equal payments or equal principal amortization,
- Use of optional redemption features that reflect market conditions and/or needs of the government,
- Use of variable or fixed-rate debt, credit enhancements, derivatives, and short-term debt, and limitations as to when each can be used, and
- Other structuring practices should be considered such as capitalized interest, deferral of principal and/or other internal credit support, including general obligation pledges.

4. ***Debt Issuance Practices***. The Policy should provide guidance regarding the issuance process, which may differ for each type of debt. These practices include:

    - Criteria for determining the sale method (competitive, negotiated, placement) and investment of proceeds,
    - Criteria for issuance of advance refunding and current refunding bonds,
    - Selection and use of professional service providers,
    - Use of comparative bond pricing services or market indices as a benchmark in negotiated transactions, as well as to evaluate final bond pricing results, and
    - Use of credit ratings, minimum bond ratings, determination of the number of ratings, and selection of rating services.

5. ***Debt Management Practices.*** The Policy should provide guidance for ongoing administrative activities including:

    - Investment of bond proceeds,
    - Primary and secondary market disclosure practices, including annual certifications as required,
    - Arbitrage rebate monitoring and filing,
    - Federal and state law compliance practices, and
    - Market and investor relations efforts.

References

- *A Guide for Preparing a Debt Policy*, Patricia Tigue, GFOA, 1998.
- *Benchmarking and Measuring Debt Capacity*, Rowan Miranda and Ron Picur, GFOA, 2000.

Recommended for Approval by the Committee on Governmental Debt and Fiscal Policy, January 24, 2003.

Approved by the GFOA's Executive Board, February 28, 2003.

* This RP replaces the GFOA's RPs – Development of a Debt Policy and Analyzing Debt Capacity and Establishing Debt Limits.

Exhibit B

5. GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES (In Thousands)

a. Long-Term Liabilities

Governmental long-term liabilities as of June 30, 2004 are comprised of the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2004
Arbitrage Liability				$ 262
Compensated Absences				71,895
Liability Claims				202,914
Capital Lease Obligations				30,619
Contracts Payable:				
Contract Payable to SDSU Foundation, dated December 1991	7.02%	—	1,598	1,598
Amendment to Contract Payable to SDSU Foundation, dated January 1995	7.02%	—	117	117
Total Contracts Payable				1,715
Notes Payable:				
Note Payable to Lorren Daro, dated March 1995	8.0	2005	257	30
Note Payable to Wal-Mart, dated June 1998	10.0	2017	1,308	853
Notes Payable to San Diego Revitalization, dated April 2001	5.0	2032	5,115	5,115
Total Notes Payable				5,998
Loans Payable:				
International Gateway Associates, LLC, dated October 2001	10.0	2032	1,876	1,865
Padres, L.P., dated March 1999	6.0	2005	3,500	3,000
Total Loans Payable				4,865
San Diego Association of Governments (SANDAG) Loans Payable				19,302
Section 108 Loans Payable				44,917
General Obligation Bonds:				
Public Safety Communications Project, Series 1991	5.0 - 8.0%*	2012	25,500	14,390
Open Space Park Refunding Bonds, Series 1994	5.0 - 6.0*	2009	64,260	31,385
Total General Obligation Bonds				45,775
Revenue Bonds / Lease Revenue Bonds / COPs:				
MTDB Authority Lease Revenue Refunding Bonds, Series 1994	4.25 - 5.625*	2010	66,570	21,775
Public Facilities Financing Authority Stadium Lease Revenue Bonds, Series 1996 A	6.2 - 7.45*	2027	68,425	62,870

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Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2004
San Diego Facilities and Equipment Leasing Corp. Certificates of Participation, Series 1996 A	4.0 - 5.6*	2011	$ 33,430	$ 20,570
San Diego Facilities and Equipment Leasing Corp. Certificates of Participation Refunding, Series 1996 B	4.0 - 6.0*	2022	11,720	9,845
Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 1998 A	3.8 - 5.25*	2028	205,000	192,480
Centre City Parking Revenue Bonds, Series 1999 A	4.5 - 6.49*	2026	12,105	11,365
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 A	2.75 - 4.75*	2018	30,515	20,735
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 B	3.5 - 5.10*	2018	7,630	5,165
Public Facilities Financing Authority Ballpark Lease Revenue Bonds, Series 2002	7.15 - 7.7*	2032	169,685	169,685
Public Facilities Financing Authority Fire and Life Safety Lease Revenue Bonds, Series 2002 B	3.55 - 7.0*	2032	25,070	24,665
Centre City Parking Revenue Bonds, Series 2003 B	3.0 - 5.30%*	2027	20,515	20,515
MTDB Authority Lease Revenue Refunding Bonds, Series 2003	2.0 - 4.375*	2023	15,255	15,010
San Diego Facilities Equipment Leasing Corp. Certificates of Participation Refunding, Series 2003	1.0 - 4.0*	2024	17,425	16,940
Total Revenue Bonds / Lease Revenue Bonds / COPs				591,620
Special Assessment / Special Tax Bonds				
1915 Act Otay Mesa Industrial Park Improvement Bonds, Series 1992	5.5 - 7.95*	2013	2,235	475
Miramar Ranch North Special Tax Refunding Bonds, Series 1998	3.75 - 5.375*	2021	59,465	50,775
Santaluz Special Tax Bonds, Series 2000 A	4.75 - 6.375*	2031	56,020	55,755
Santaluz Special Tax Bonds, Series 2000 B	4.5 - 6.2*	2031	4,350	4,295
City of San Diego Reassessment District Limited Obligation Refunding Bonds, Series 2003-1	4.25 - 5.8*	2018	8,850	8,850
Piper Ranch Limited Obligation Improvement Bonds, Series 2003	2.5 - 6.2*	2034	5,430	5,430
Santaluz Special TaxBonds, Improvement Area No.1, Series 2004	1.7 - 5.5*	2031	5,000	5,000
Santaluz Special TaxBonds, Improvement Area No.4, Series 2004	1.65 - 5.5*	2034	9,965	9,965
Total Special Assessment / Special Tax Bonds				140,545

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Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2004
Tax Allocation Bonds:				
Centre City Redevelopment Project Tax Allocation Bonds Series 1993 A	5.5 - 6.5*	2011	$ 27,075	$ 13,850
Centre City Redevelopment Project Tax Allocation Bonds, Series 1993 B	4.875 - 5.4*	2017	27,275	19,655
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995	7.8 - 9.75*	2014	1,400	940
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	4.4 - 6.0*	2020	1,200	960
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 B	6.9 - 8.2*	2021	3,955	3,400
Southcrest Redevelopment Project Tax Allocation Bonds, Series 1995	4.75 - 6.592*	2020	3,750	2,660
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	3.8 - 6.0*	2016	12,970	9,585
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 B	4.3 - 7.0*	2007	9,830	1,155
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	3.0 - 5.125*	2019	25,680	25,390
Centre City Redevelopment Tax Allocation Bonds, Series 1999 B	6.25*	2014	11,360	11,360
Centre City Redevelopment Tax Allocation Bonds, Series 1999 C	3.1 - 4.75*	2025	13,610	12,835
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	4.5 - 5.8*	2029	5,690	5,690
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	5.75 - 6.4**	2029	10,141	13,745
Central Imperial Redevelopment Project Tax Allocation Bonds, Series 2000	4.45 - 6.6*	2031	3,395	3,260
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	4.0 - 5.6*	2025	6,100	5,665
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	3.95 - 5.35*	2025	21,390	20,565
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.8*	2022	15,025	14,680
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.875*	2031	13,000	12,340
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	4.1 - 5.9*	2031	7,000	6,650
Southcrest Redevelopment Project Tax Allocation Bonds, Series 2000	4.45 - 6.5*	2026	1,860	1,750

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Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2004
Centre City Redevelopment Tax Allocation Bonds, Series 2001 A	4.93 - 5.55***	2027	$ 58,425	$ 60,083
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	5.0*	2027	3,055	3,055
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	2.5 - 5.0*	2029	31,000	27,880
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	5.875 - 6.5*	2034	4,955	4,955
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B	2.5 - 4.25*	2014	865	865
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	1.5 - 6.125*	2028	7,145	7,145
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	4.75 - 5.0*	2034	5,360	5,360
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	4.65 - 5.1*	2022	6,325	6,325
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	3.25-5.45*	2022	4,530	4,530
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	3.49-7.74*	2022	8,000	8,000
Total Tax Allocation Bonds				314,333
Total Bonds Payable				1,092,273
Net Pension Obligation				203,589
Total Governmental Activities Long-Term Liabilities				$ 1,678,349

* Interest rates are fixed, and reflect the range of rates for various maturities from the date of issuance to maturity.

** The City Heights Redevelopment Tax Allocation Bonds, Series 1999 B, are capital appreciation bonds, which mature from fiscal year 2011 through 2029. The balance outstanding at June 30, 2004 includes an accreted amount of $3,694. The principal amount at full maturity will be $33,910.

*** The Centre City Redevelopment Tax Allocation Bonds, Series 2001 A, partially include capital appreciation bonds, which mature from fiscal year 2015 through 2027. The balance outstanding at June 30, 2004 includes an accreted amount of $2,063. The principal amount at full maturity will be $85,140.

Liability claims are primarily liquidated by the Self Insurance Fund and Enterprise Funds. Compensated absences are paid out of the operating funds and the miscellaneous internal service funds. Pension liabilities are paid out of the operating funds based on a percentage of payroll.

Public safety general obligation bonds are secured by a pledge of the full faith and credit of the City or by a pledge of the City to levy ad valorem property taxes without limitation. Open space general obligation bonds are backed by Environmental Growth Fund 2/3 franchise fees.

Revenue bonds are secured by a pledge of specific revenue generally derived from fees or service charges related to the operation of the project being financed. Certificates of Participation (COPs) and lease revenue bonds provide long-term financing through a lease agreement, installment sales agreement, or loan agreement that does not constitute indebtedness under the state constitutional debt limitation and is not subject to other statutory requirements applicable to bonds.

Special assessment/special tax bonds are issued by the City to provide funds for public improvements in/and or serving special assessment and Mello-Roos districts created by the City. The bonds are secured by assessments and special taxes levied on the properties located within the assessment districts and the community facilities districts, and are payable solely from the assessments and special taxes collected. The assessments and the special taxes, and any bonds payable from them, are secured by a lien on the properties upon which the assessments and the special taxes are levied. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds.

Section 108 loans are the loan guarantee provisions of the Community Development Block Grant (CDBG) program. Section 108 loans provide the community with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects.

SANDAG loans are comprised of two components: repayment of debt service on bonds, and repayment of proceeds from commercial paper. The City received distributions of SANDAG bond proceeds, based on the City's agreement with SANDAG. The annual debt service payments related to these bond issuances are recovered by SANDAG through reductions in TransNet allocations that would otherwise be available for payment to the City. TransNet – Proposition A, was passed in 1987 to enact a ½ percent sales tax increase to fund regional transportation projects. All expenses must first be approved by SANDAG and be included on the Regional Transportation Plan (RTP). The City recognizes repayment of the principal and interest on bonds as an increase in TransNet revenues and an offsetting debt service expenditure. In addition to financing from bond issuances, financing for TransNet related projects is made available through the issuance of commercial paper notes by SANDAG, at the request of the City. Repayment of proceeds related to the commercial paper is collected in future periods through reductions in TransNet allocations, similar to the repayment of the debt service on bonds. The interest rates used are based on a floating rate that changes daily, averaging 3.5 percent during fiscal year 2004.

b. Amortization Requirements

The annual requirements to amortize such long-term debt outstanding as of June 30, 2004, including interest payments to maturity, are as follows:

Year Ending June 30,	Capital Lease Obligations		Contracts Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	$ 10,075	$ 1,102	$ -	$ -	$ 65	$ 341
2006	8,090	735	-	-	38	338
2007	5,201	447	-	-	42	334
2008	2,846	277	-	-	46	329
2009	1,919	171	-	-	51	325
2010-2014	2,166	313	-	-	342	1,432
2015-2019	322	16	-	-	299	1,340
2020-2024	-	-	-	-	-	1,279
2025-2029	-	-	-	-	-	1,279
2030-2034	-	-	-	-	5,115	767
Unscheduled*	-	-	1,715	-	-	-
Total	$ 30,619	$ 3,061	$ 1,715	$ -	$ 5,998	$ 7,764

** The contract payable to San Diego State University Foundation in the amount of $1,715 does not have an annual repayment schedule. Annual payments on this debt are based on the availability of tax increment net of the low-moderate and taxing agency set-asides as well as project area administration costs.*

Year Ending June 30,	Loans Payable		SANDAG Loans		Section 108 Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	$ 3,013	$ 367	$ 5,323	$ 746	$ 2,059	$ 2,274	$ 6,885	$ 2,761
2006	14	185	6,653	526	2,483	2,407	7,440	2,337
2007	15	184	5,091	315	2,959	2,270	8,045	1,878
2008	17	182	2,235	109	3,422	2,101	8,225	1,388
2009	18	181	-	-	2,246	1,951	8,865	898
2010-2014	123	872	-	-	12,987	7,717	6,315	646
2015-2019	199	796	-	-	12,355	3,596	-	-
2020-2024	320	675	-	-	5,759	980	-	-
2025-2029	515	480	-	-	647	19	-	-
2030-2034	631	165	-	-	-	-	-	-
Total	$ 4,865	$ 4,087	$ 19,302	$ 1,696	$ 44,917	$ 23,315	$ 45,775	$ 9,908

Year Ending June 30,	Revenue Bonds / COPs		Special Assessment / Special Tax Bonds		Tax Allocation Bonds		
	Principal	Interest	Principal	Interest	Principal	Unaccreted Appreciation	Interest
2005	$ 20,275	$ 34,261	$ 3,000	$ 7,667	$ 8,728	$ 66	$ 14,674
2006	21,435	33,380	3,505	7,471	8,856	137	14,311
2007	19,880	32,418	3,775	7,312	9,305	199	13,927
2008	20,865	31,440	4,050	7,138	9,881	259	13,517
2009	21,565	30,397	4,325	6,946	10,358	304	13,077
2010-2014	93,770	136,799	26,375	31,067	61,255	3,157	56,394
2015-2019	100,090	110,435	33,390	23,094	76,235	8,968	38,873
2020-2024	125,890	78,071	25,155	14,539	68,849	19,091	20,571
2025-2029	124,355	37,506	22,780	8,040	44,458	18,797	6,742
2030-2034	43,495	6,610	14,190	1,311	10,651	-	1,160
Subtotal	591,620	531,317	140,545	114,585	308,576	50,978	193,246
Add: Accreted Appreciation through June 30, 2004	-	-	-	-	5,757	-	-
Total	$ 591,620	$ 531,317	$ 140,545	$ 114,585	$ 314,333	$ 50,978	$ 193,246

c. Change in Long-Term Liabilities

Additions to governmental activities long-term debt for contracts, notes and loans payable may differ from proceeds reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances due to funding received in prior fiscal years being converted from short-term to long-term debt as a result of developers extending the terms of the obligation.

The following is a summary of changes in governmental activities long-term liabilities for the year ended June 30, 2004. The effect of bond accretion, bond premium, discounts and deferred amounts on bond refunds are amortized as adjustments to long-term liabilities.

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Arbitrage Liability	$ 363	$ 262	$ (363)	$ 262	$ -
Compensated Absences	70,654	52,531	(51,290)	71,895	29,938
Liability Claims	154,089	86,967	(38,142)	202,914	42,414
Capital Lease Obligations	37,701	4,238	(11,320)	30,619	10,075
Contracts Payable	1,882	-	(167)	1,715	-
Notes Payable	8,416	-	(2,418)	5,998	65
Loans Payable	2,851	3,500	(1,486)	4,865	3,013
Section 108 Loans Payable	25,925	21,107	(2,115)	44,917	2,059
SANDAG Loans Payable	17,341	6,400	(4,439)	19,302	5,323
General Obligation Bonds	52,165	-	(6,390)	45,775	6,885
Revenue Bonds / COPs	609,785	-	(18,165)	591,620	20,275
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(1,078)	-	79	(999)	-
Net Revenue Bonds/COP's	608,707	-	(18,086)	590,621	20,275
Special Assessment / Special Tax Bonds	123,130	29,245	(11,830)	140,545	3,000
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	-	(748)	47	(701)	-
Net Special Assessment Bonds	123,130	28,497	(11,783)	139,844	3,000
Tax Allocation Bonds	279,136	37,180	(7,740)	308,576	8,794
Interest Accretion	4,174	1,583	-	5,757	-
Balance with Accretion	283,310	38,763	(7,740)	314,333	8,794
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(132)	(11)	175	32	-
Net Tax Allocation Bonds	283,178	38,752	(7,565)	314,365	8,794
Net Pension Obligation	141,712	61,877	-	203,589	-
Total	$ 1,528,114	$ 304,131	$ (155,564)	$ 1,676,681	$ 131,841

d. Defeasance of Debt

Limited Obligation Refunding Bonds for the Reassessment District No. 2003-1 were issued by the City in the amount of $8,850. These bonds are payable from and secured by unpaid Reassessments upon real property located in the Reassessment District, proceeds from foreclosure proceedings, and other amounts held in certain funds maintained under the Indenture. The majority of the bond proceeds were used to refund three limited obligation improvement bonds issued under the Improvement Bond Act of 1915. The three issuances refunded were De La Fuente Phase I, De La Fuente Phase II, and the International Business Center Project, maturing on September 2 of 2013, 2017, and 2015, respectively. The refunded bonds are defeased and the corresponding liability has been removed from the Statement of Net Assets. The refunding resulted in a total economic gain of approximately $441, and a cash flow savings of $2,283. The current bonds issued are payable in increasing installments of principal over the next fourteen years. The refunded bonds were redeemed at a call date prior to the end of the fiscal year and, accordingly, there was no balance outstanding as of June 30, 2004.

As of June 30, 2004, principal amounts payable from escrow funds established for defeased bonds are as follows:

Defeased Bonds	Amount (In Thousands)
Horton Plaza Redevelopment Project Subordinate Tax Allocation Refunding Bonds, Series 1996 B	$ 6,640
Miramar Ranch North Special Tax Bonds, Series 1995 B	20,010
Total Defeased Bonds Outstanding	$ 26,650