

Debt Management



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Department Description

Debt Management conducts planning, structuring, and issuance activities for short-term and long-term financings to meet the City's cash flow needs and to provide funds for capital projects, equipment, and essential 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 bond issuances for refunding opportunities, and performs, coordinates, and monitors certain post-issuance administrative functions. 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 performs as-needed financial analyses for the Mayor and City departments. The Department also works with the Public Utilities Department to develop financial plans and identify infrastructure funding based on the public utilities' 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 financial consulting contracts including contracts for independent financial advisory services, special tax consultant services, and for other 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 various post-bond issuance administrative functions including continuing disclosure filings.

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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.

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 various post-bond issuance administrative functions including the calculation and enrollment of special taxes and assessments and continuing disclosure filings.

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 for capital needs on a timely basis
- Ensure that the financings implemented are cost-effective

Goal 2: Use of 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

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:

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

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

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Key Performance Indicators

Performance Measure	Actual FY2011	Actual FY2012	Target FY2013
1. Percent of debt payments made to bond trustees on time (G3/O1)	100%	100%	100%
2. Percent of bond offering disclosures that were reviewed by the City's Disclosure Practices Working Group (DPWG) and received certification (G2/O2)	100%	100%	100%
3. Professional development and training goals met by the Department to maintain skilled employees and promote the highest ethical standards (G4/O1 and G4/O2)	92%	83%	100%
4. Percent of the City's Investor Information Page updated with City financial disclosures ¹ required to be submitted to the designated electronic repository for municipal securities within two business days (G2/O1) ²	100%	88%	100%
5. Percent of outstanding City bond issuances actively monitored and reported upon for compliance with various bond covenants and requirements with any compliance issues that arise resolved through coordination with all responsible parties (G3/O2 and G3/O3)	100%	100%	100%
6. City public bond offerings priced similarly to comparable credits within the same timeframe (G1/O2)	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

General Fund

In June 2012, Debt Management coordinated \$100.7 million in Tax and Revenue Anticipation Notes to fund Fiscal Year 2013 General Fund cash flow needs.

In June 2012, Debt Management completed the economic refunding of the Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 1998A ("1998A Bonds"). With a par issue size of \$140.4 million, the 2012A Bonds fully refunded the 1998A Bonds. The refunding generated 9.5 percent in net present value savings or approximately \$18.2 million in gross cumulative cash flow savings for Fiscal Years 2013-2028. The average annual General Fund debt service savings generated from the economic refunding was approximately \$1.1 million.

In July 2012, Debt Management completed the issuance of the Capital Improvement Projects Lease Revenue Bonds, Series 2012A ("2012A Bonds"), creating \$75.0 million of proceeds for Capital Improvement Projects for streets, storm drains, and facilities.

In July 2012, Debt Management completed the economic refunding of the Fire and Life Safety Public Facilities Financing Authority Lease Revenue Bonds, Series 2002B ("2002B Bonds"). With a par issue size of \$18.7 million, the 2012B Bonds fully refunded the 2002B Bonds. The refunding generated 11.6 percent in net present value savings or approximately \$4.4 million in gross cumulative cash flow savings for Fiscal Years 2013-2031. The average annual General Fund debt service savings generated from the economic refunding was approximately \$0.2 million.

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Debt Management has developed, and is currently in the process of implementing, a plan of finance (approved by the City Council in July 2012) to contribute to the funding of the parking structure portion of the proposed Balboa Park Plaza de Panama Circulation & Parking Structure Project. This contribution, which will supplement philanthropic funding from the Plaza de Panama Committee for the balance of the project costs, will be derived from leveraging projected future parking revenues from the planned parking structure through the issuance of tax-exempt Lease Revenue Bonds. Approximately \$14.0 million in construction proceeds for the parking structure is estimated to be realized through a bond sale anticipated in late December 2012.

Public Utilities

In May of 2012, Debt Management completed the economic refunding of the Public Facilities Financing Authority Subordinated Water Revenue Bonds, Series 2002 (“2002 Bonds”). With a par issue size of \$188.6 million, the 2012A Bonds fully refunded the 2002 Bonds. The refunding generated 13.05 percent in net present value savings or approximately \$39.6 million in gross cumulative cash flow savings for Fiscal Years 2013-2033. The average annual debt service savings generated from the economic refunding was approximately \$1.9 million.

Special Districts

In Fiscal Year 2012, the Department facilitated the enrollment of \$16.9 million of special taxes and special assessments on 8,477 parcels of land to provide for debt service on approximately \$152.0 million of outstanding special tax and special assessment bonds issued to finance public infrastructure improvements.

In addition, in December 2011, Debt Management facilitated the issuance of the Community Facilities District No. 2 (Santaluz) Improvement Area No. 1 Special Tax Refunding Bonds, Series A of 2011, to refund the previously issued CFD No. 2 Improvement Area No. 1 Special Tax Bonds Series A of 2000 and Series A of 2004. The 2000 and 2004 bonds were issued to finance various public facilities within or serving the district. With a par issue size of \$51.7 million, the refunding generated 7.2 percent in net present value savings or approximately \$6.3 million in gross cumulative cash flow savings for Fiscal Years 2013-2030. This refunding will result in annual debt service savings of approximately \$0.6 million.

In June 2012, Debt Management facilitated the issuance of the Community Facilities District No. 1 (Miramar Ranch North) Special Tax Refunding Bonds Series 2012 to refund the previously issued CFD No. 1 Special Tax Refunding Bonds Series 1998, which had refunded earlier bonds issued to finance various public facilities. With a par issue size of \$24.8 million, the refunding generated 10.9 percent in net present value savings or approximately \$5.8 million in gross cumulative cash flow savings for Fiscal Years 2013-2020. This refunding will result in annual debt service savings of approximately \$0.7 million.

In Fiscal Year 2012, Debt Management coordinated the efforts to officially form Convention Center Facilities District No. 2012-1 and authorize the levy of a special tax as the primary funding source for this expansion, subject to successful judicial validation. Convention Center Facilities District No. 2012-1 consists of current and future hotel properties, and is based on the legal framework authorized under the Mello-Roos Community Facilities Act of 1982. Other funding sources are anticipated to include a contribution from the San Diego Unified Port District and the City's General Fund. In Fiscal Year 2013, Debt Management expects to present an overall financing plan for the project to City Council for approval.

Citywide Efforts

After issuing a number of new money and economic refundings in prior fiscal years, the Department continues to review and enhance its formal centralized monitoring framework for post-issuance compliance. For example, the Department has expanded monitoring and reporting of bond proceeds, spend-down provisions, and private use provisions consistent with IRS requirements. The Department works closely with other City departments to identify financing needs and timely access to funding. This work continues currently for the General Fund, the Public Utilities Department, and Special Districts in Fiscal Year 2013 and beyond.

Debt Management

Department Summary

	FY2011 Actual	FY2012 Budget	FY2013 Adopted	FY2012-2013 Change
Positions (Budgeted)	18.00	18.00	18.00	0.00
Personnel Expenditures	\$ 2,048,354	\$ 2,182,639	\$ 2,141,051	\$ (41,588)
Non-Personnel Expenditures	127,983	190,090	215,805	25,715
Total Department Expenditures	\$ 2,176,337	\$ 2,372,729	\$ 2,356,856	\$ (15,873)
Total Department Revenue	\$ 811,371	\$ 889,645	\$ 660,645	\$ (229,000)

General Fund

Department Expenditures

	FY2011 Actual	FY2012 Budget	FY2013 Adopted	FY2012-2013 Change
Debt Management	\$ 2,176,337	\$ 2,372,729	\$ 2,356,856	\$ (15,873)
Total	\$ 2,176,337	\$ 2,372,729	\$ 2,356,856	\$ (15,873)

Department Personnel

	FY2011 Budget	FY2012 Budget	FY2013 Adopted	FY2012-2013 Change
Debt Management	18.00	18.00	18.00	0.00
Total	18.00	18.00	18.00	0.00

Significant Budget Adjustments

	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	\$ 17,759	\$ -
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	9,418	-
Copier Savings Adjustment to reflect savings resulting from the new convenience copier contract.	0.00	(1,462)	-
Salary and Benefit Adjustments Adjustments to reflect the annualization of the Fiscal Year 2012 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	(41,588)	-
Revised Revenue Adjustment to reflect Fiscal Year 2013 revenue projections.	0.00	-	(229,000)
Total	0.00	\$ (15,873)	\$ (229,000)

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Expenditures by Category

	FY2011 Actual	FY2012 Budget	FY2013 Adopted	FY2012-2013 Change
PERSONNEL				
Salaries and Wages	\$ 1,255,469	\$ 1,370,867	\$ 1,333,884	\$ (36,983)
Fringe Benefits	792,885	811,772	807,167	(4,605)
PERSONNEL SUBTOTAL	\$ 2,048,354	\$ 2,182,639	\$ 2,141,051	\$ (41,588)
NON-PERSONNEL				
Supplies	\$ 12,090	\$ 24,411	\$ 23,556	\$ (855)
Contracts	33,597	48,137	49,105	968
Information Technology	62,154	89,215	116,638	27,423
Energy and Utilities	15,586	18,602	13,608	(4,994)
Other	4,062	7,863	11,351	3,488
Transfers Out	495	862	547	(315)
Capital Expenditures	-	1,000	1,000	-
NON-PERSONNEL SUBTOTAL	\$ 127,983	\$ 190,090	\$ 215,805	\$ 25,715
Total	\$ 2,176,337	\$ 2,372,729	\$ 2,356,856	\$ (15,873)

Revenues by Category

	FY2011 Actual	FY2012 Budget	FY2013 Adopted	FY2012-2013 Change
Charges for Services	\$ 811,371	\$ 889,645	\$ 660,645	\$ (229,000)
Total	\$ 811,371	\$ 889,645	\$ 660,645	\$ (229,000)

Personnel Expenditures

Job Number	Job Title / Wages	FY2011 Budget	FY2012 Budget	FY2013 Adopted	Salary Range	Total
Salaries and Wages						
20000149	Associate Economist	3.00	3.00	3.00	\$54,059 - \$65,333	\$ 127,400
20000119	Associate Management Analyst	2.00	2.00	2.00	54,059 - 65,333	110,363
20000539	Clerical Assistant 2	1.00	1.00	1.00	29,931 - 36,067	35,165
20001101	Department Director	1.00	1.00	1.00	59,155 - 224,099	149,999
20001234	Program Coordinator	6.00	6.00	6.00	23,005 - 137,904	512,685
20001222	Program Manager	2.00	2.00	2.00	46,966 - 172,744	219,906
20000015	Senior Management Analyst	2.00	2.00	2.00	59,363 - 71,760	137,627
20000756	Word Processing Operator	1.00	1.00	1.00	31,491 - 37,918	36,970
	Overtime Budgeted					3,769
Salaries and Wages Subtotal		18.00	18.00	18.00		\$ 1,333,884

Fringe Benefits

Employee Offset Savings	\$ 31,393
Flexible Benefits	122,915
Long-Term Disability	7,706
Medicare	16,997
Other Post-Employment Benefits	107,559
Retiree Medical Trust	348
Retirement 401 Plan	1,394
Retirement ARC	426,870
Retirement DROP	2,745

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Personnel Expenditures (Cont'd)

Job Number	Job Title / Wages	FY2011 Budget	FY2012 Budget	FY2013 Adopted	Salary Range	Total
	Retirement Offset Contribution					1,834
	Risk Management Administration					17,714
	Supplemental Pension Savings Plan					46,751
	Unemployment Insurance					3,920
	Workers' Compensation					19,021
Fringe Benefits Subtotal						\$ 807,167
Total Personnel Expenditures						\$ 2,141,051



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