

# Debt Management







## Mission Statement

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.

## Department Description

In Fiscal Year 2007, Debt Management, previously the Financing Services Division of the City Treasurer's Office, was reorganized as a stand alone department under the Chief Financial Officer within the Department of Finance. 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 ensure the City's compliance with federal securities laws; administers debt service payments; monitors the City's compliance with existing bond covenants; coordinates the filing of annual continuing disclosure reports; responds 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.

### 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.

# Debt Management

## Department Description

### 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 Funds and performs or coordinates certain post debt issuance administrative functions, including continuing disclosure annual report 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 certain post debt issuance administrative functions, including the calculation and enrollment of special taxes and assessments and continuing disclosure annual report filings.

## Service Efforts and Accomplishments

The Formal Centralized Monitoring Program, designed to monitor and report compliance of all City bond covenants and requirements and protect bondholder interests, has been successfully implemented. Bond covenants for debt issuances totaling \$2.3 billion were tracked under the Formal Compliance Monitoring Program.

Debt Management works with the Disclosure Practices Working Group on controls and procedures for bond disclosures, and to implement Kroll Report recommendations. A Formal Debt Management Policy is being prepared to serve as a guideline for the City's future debt issuances. Outreach efforts included a presentation entitled "Debt Management and Financing Tools" to the Budget and Finance Committee.

Debt Management completed the refunding of the outstanding \$169.7 million Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2002 (Ballpark Project) to lower the annual debt payment. The refunding will generate approximately \$3.7 million in annual debt service savings.

Debt Management issued \$57 million in Subordinated Water Revenue Notes to fund high priority Water CIP construction projects.

A total of \$16 million in Community Facilities District No. 3 (Liberty Station) Special Tax Bonds, Series A of 2006 were issued to fund certain public road and park improvements in connection with the Naval Training Center Redevelopment Project.

A total of \$105.4 million in Tobacco Revenue Bonds were issued in June 2006, via the securitization of \$10.1 million in annual tobacco settlement revenue payments. This facilitated a contribution of \$100 million, above the annual required contribution, to the pension system.

In June 2006, the Fiscal Year 2007 \$142 million in Tax Revenue Anticipation Notes (TRANS) were privately placed with Bank of America to meet Fiscal Year 2007 interim cash flow needs.

The lease-purchase of \$6.8 million of General Fund Motive Equipment and \$2.6 million of General Fund fire apparatus was financed under a Master Lease Agreement. Implementation of two other Master Lease Agreements to meet additional essential equipment and vehicle, financing needs, and fund the Enterprise Resource Planning project for Citywide financial and reporting upgrades is underway.

# Debt Management

## Budget Dollars at Work

- Administered \$2.3 billion in long term outstanding debt (as of June 2006)
- Refunded \$165.3 million in outstanding debt, resulting in \$51.5 million of net present value savings over the term of the bonds
- Financed \$16 million in essential vehicles and equipment, largely to meet public safety needs for police helicopters, fire apparatus, and public safety communications equipment
- Executed financings to provide \$73 million for public infrastructure and capital projects
- Issued Tobacco Revenue Bonds to contribute \$100 million to the City's pension system
- Calculated, enrolled, and apportioned to 8,700 parcels \$16 million in annual special taxes and assessments
- Administered \$184 million of annual debt service payments

## Department Summary

Debt Management				
	FY 2006 BUDGET	FY 2007 BUDGET	FY 2008 FINAL	FY 2007-2008 CHANGE
Positions	29.24	22.20	<b>22.00</b>	(0.20)
Personnel Expense	\$ 3,004,642	\$ 2,283,651	\$ <b>2,346,312</b>	\$ 62,661
Non-Personnel Expense	\$ 401,342	\$ 366,172	\$ <b>384,089</b>	\$ 17,917
<b>TOTAL</b>	\$ 3,405,984	\$ 2,649,823	\$ <b>2,730,401</b>	\$ 80,578

## Department Staffing

	FY 2006 BUDGET	FY 2007 BUDGET	FY 2008 FINAL
<b>GENERAL FUND</b>			
<b>Debt Management Department</b>			
Administration	1.00	1.00	<b>0.00</b>
Bond Financing, Utilities & Analysis	21.15	15.15	<b>0.00</b>
Ent Fund Fin & Admin	0.00	0.00	<b>2.30</b>
Gen Fund Fin & Admin	0.00	0.00	<b>14.00</b>
Special Dist Fin & Admin	0.00	0.00	<b>5.70</b>
<b>Total</b>	<b>22.15</b>	<b>16.15</b>	<b>22.00</b>
<b>SPECIAL DISTRICTS FUND</b>			
<b>Special Districts</b>			
Special Districts	7.09	6.05	<b>0.00</b>
<b>Total</b>	<b>7.09</b>	<b>6.05</b>	<b>0.00</b>
<b>DEPARTMENT TOTAL</b>	<b>29.24</b>	<b>22.20</b>	<b>22.00</b>

# Debt Management

## Department Expenditures

	FY 2006 BUDGET	FY 2007 BUDGET	FY 2008 FINAL
<b>GENERAL FUND</b>			
<b>Debt Management Department</b>			
Administration	\$ 97,924	\$ 77,233	\$ 5,064
Bond Financing, Utilities & Analysis	\$ 2,410,635	\$ 1,702,341	\$ 55,357
City-Wide Contractual Services	\$ -	\$ -	\$ 115,112
Ent Fund Fin & Admin	\$ -	\$ -	\$ 318,029
Financing Services	\$ -	\$ (3,877)	\$ 63,533
Gen Fund Fin & Admin	\$ -	\$ -	\$ 1,520,674
Special Dist Fin & Admin	\$ -	\$ -	\$ 652,632
<b>Total</b>	<b>\$ 2,508,559</b>	<b>\$ 1,775,697</b>	<b>\$ 2,730,401</b>
<b>SPECIAL DISTRICTS FUND</b>			
<b>Special Districts</b>			
Fin Svcs - Special Districts	\$ -	\$ 2,692	\$ -
Special Districts	\$ 897,425	\$ 871,434	\$ -
<b>Total</b>	<b>\$ 897,425</b>	<b>\$ 874,126</b>	<b>\$ -</b>
<b>DEPARTMENT TOTAL</b>	<b>\$ 3,405,984</b>	<b>\$ 2,649,823</b>	<b>\$ 2,730,401</b>

## Significant Budget Adjustments

### GENERAL FUND

Debt Management Department	Positions	Cost	Revenue
<b>Salary and Benefit Adjustments</b>	0.00	\$ 78,685	\$ 0
Adjustments to reflect the annualization of the Fiscal Year 2007 negotiated salary compensation schedule, changes to average salaries, retirement contributions, retiree health contributions, and other benefit compensation.			
<b>Transfer of Position from Special Districts</b>	6.05	\$ 892,761	\$ 912,279
Transfer of positions, associated non-personnel expenditures, and revenue from Special Districts to the Debt Management Department.			
<b>Transfer of Funding from Citywide Contractual Services</b>	0.00	\$ 115,112	\$ 0
Transfer of funds specific to bond financing associated costs to the Debt Management Department operating budget from Citywide Contractual Services.			
<b>Increase to Retiree Health Care-Other Post-Employment Benefits (OPEB)</b>	0.00	\$ 45,362	\$ 0
Addition of funds to be applied towards the total liability for retiree health care.			

# Debt Management

## Significant Budget Adjustments

### GENERAL FUND

Debt Management Department	Positions	Cost	Revenue
<p><b>Support for Information Technology</b></p> <p>Funding is allocated according to a zero-based annual review of information technology funding requirements and priority analyses.</p>	0.00 \$	7,428 \$	0
<p><b>Training Increase</b></p> <p>Additional support to provide onsite training from specialized consultants such as financial advisors, underwriters, or similar subject matter experts.</p>	0.00 \$	5,000 \$	0
<p><b>Publication Subscription Increase</b></p> <p>Additional support to provide publications that are used by the Department to stay current on market events that are of relevance for Citywide activities.</p>	0.00 \$	2,500 \$	0
<p><b>Position Swap</b></p> <p>To correct FTE job class number and description of the Department's anticipated Debt Services Manager.</p>	0.00 \$	971 \$	0
<p><b>Non-Discretionary</b></p> <p>Adjustments to reflect expenses that are determined outside of the Department's direct control. Examples of these adjustments include utilities, insurance, and rent.</p>	0.00 \$	191 \$	0
<p><b>Revised Revenue</b></p> <p>Adjustment to Fiscal Year 2007 revenue to reflect Fiscal Year 2008 revenue projections.</p>	0.00 \$	0 \$	(221,890)
<p><b>Enterprise Resource Planning (ERP) Transfer</b></p> <p>Transfer ERP costs from the Special Districts Department to the Debt Management Department to accurately budget the expenditure.</p>	0.00 \$	(3,123) \$	0
<p><b>Transfer of Position to the Office of the City Treasurer Department</b></p> <p>Transfer of 0.20 Information System Technician from Debt Management to the Office of the City Treasurer and related non-personnel expenditures.</p>	(0.20) \$	(15,422) \$	0
<p><b>Vacancy Savings</b></p> <p>Adjustments in personnel expense from positions that are projected to be vacant for a period of time in Fiscal Year 2008 due to personnel transition and salary differentials for new employees.</p>	0.00 \$	(56,707) \$	0

# Debt Management

## Significant Budget Adjustments

### GENERAL FUND

Debt Management Department	Positions	Cost	Revenue
<b>Revised Reduction Projections</b>	0.00 \$	(118,054) \$	0
<p>Revised reduction projections will accurately reflect anticipated Fiscal Year 2008 reductions. These projections were determined and prepared by using generally accepted guidelines, such as forecast methods, economic trends, and department analysis.</p>			

### SPECIAL DISTRICTS FUND

Special Districts	Positions	Cost	Revenue
<b>Salary and Benefit Adjustments</b>	0.00 \$	17,408 \$	0
<p>Adjustments to reflect the annualization of the Fiscal Year 2007 negotiated salary compensation schedule, changes to average salaries, retirement contributions, retiree health contributions, and other benefit compensation.</p>			
<b>Enterprise Resource Planning (ERP) Transfer</b>	0.00 \$	3,123 \$	0
<p>Transfer ERP costs from the Special Districts Department to the Debt Management Department to accurately budget the expenditure.</p>			
<b>Transfer of Position from Special Districts</b>	(6.05) \$	(894,657) \$	(912,279)
<p>Transfer of positions from Special Districts to Debt Management Department along with associated non-personnel expenditures and revenue.</p>			

## Expenditures by Category

	FY 2006 BUDGET	FY 2007 BUDGET	FY 2008 FINAL
<b>PERSONNEL</b>			
Salaries & Wages	\$ 2,052,756	\$ 1,555,900	\$ 1,557,979
Fringe Benefits	\$ 951,886	\$ 727,751	\$ 788,333
<b>SUBTOTAL PERSONNEL</b>	<b>\$ 3,004,642</b>	<b>\$ 2,283,651</b>	<b>\$ 2,346,312</b>
<b>NON-PERSONNEL</b>			
Supplies & Services	\$ 240,244	\$ 271,459	\$ 281,980
Information Technology	\$ 98,296	\$ 56,815	\$ 66,634
Energy/Utilities	\$ 43,674	\$ 18,967	\$ 16,544
Equipment Outlay	\$ 19,128	\$ 18,931	\$ 18,931
<b>SUBTOTAL NON-PERSONNEL</b>	<b>\$ 401,342</b>	<b>\$ 366,172</b>	<b>\$ 384,089</b>
<b>TOTAL</b>	<b>\$ 3,405,984</b>	<b>\$ 2,649,823</b>	<b>\$ 2,730,401</b>



# Debt Management

## Revenues by Category

		FY 2006 BUDGET		FY 2007 BUDGET		FY 2008 FINAL
<b>GENERAL FUND</b>						
Charges for Current Services	\$	930,000	\$	836,000	\$	<b>1,526,389</b>
<b>TOTAL</b>	<b>\$</b>	<b>930,000</b>	<b>\$</b>	<b>836,000</b>	<b>\$</b>	<b>1,526,389</b>

## Salary Schedule

### GENERAL FUND

#### Debt Management Department

<i>Class</i>	<i>Position Title</i>	<i>FY 2007 Positions</i>	<i>FY 2008 Positions</i>	<i>Salary</i>	<i>Total</i>
1106	Sr Management Analyst	2.00	3.00	\$ 70,802	\$ 212,406
1107	Administrative Aide II	0.00	2.00	\$ 50,686	\$ 101,372
1222	Assoc Economist	2.00	3.00	\$ 65,329	\$ 195,986
1243	Info Systems Administrator	1.00	0.00	\$ -	\$ -
1401	Info Systems Technician	0.20	0.00	\$ -	\$ -
1424	Economist	2.00	2.00	\$ 70,138	\$ 140,276
1535	Clerical Assistant II	1.00	1.00	\$ 35,402	\$ 35,402
1746	Word Processing Operator	1.00	1.00	\$ 37,845	\$ 37,845
1879	Sr Clerk/Typist	1.00	1.00	\$ 43,314	\$ 43,314
1917	Supv Management Analyst	1.00	5.00	\$ 80,610	\$ 403,049
1923	Supv Economist	4.00	1.00	\$ 78,079	\$ 78,079
2132	Department Director	0.00	1.00	\$ 134,998	\$ 134,998
2214	Deputy Director	0.95	0.00	\$ -	\$ -
2270	Program Manager	0.00	2.00	\$ 95,840	\$ 191,679
	Vacancy Factor Adjustment	0.00	0.00	\$ -	\$ (47,382)
	Overtime Budgeted	0.00	0.00	\$ -	\$ 4,684
	Temporary Help	0.00	0.00	\$ -	\$ 26,271
	<b>Total</b>	<b>16.15</b>	<b>22.00</b>	<b>\$</b>	<b>1,557,979</b>

### SPECIAL DISTRICTS FUND

#### Special Districts

<i>Class</i>	<i>Position Title</i>	<i>FY 2007 Positions</i>	<i>FY 2008 Positions</i>	<i>Salary</i>	<i>Total</i>
1106	Sr Management Analyst	1.00	0.00	\$ -	\$ -
1107	Administrative Aide II	2.00	0.00	\$ -	\$ -
1222	Assoc Economist	1.00	0.00	\$ -	\$ -
1917	Supv Management Analyst	1.00	0.00	\$ -	\$ -
2214	Deputy Director	0.05	0.00	\$ -	\$ -

# Debt Management

## Salary Schedule

**SPECIAL DISTRICTS FUND**

**Special Districts**

<i>Class</i>	<i>Position Title</i>	<i>FY 2007 Positions</i>	<i>FY 2008 Positions</i>	<i>Salary</i>	<i>Total</i>
2270	Program Manager	1.00	<b>0.00</b>	\$ -	\$ -
	<b>Total</b>	6.05	<b>0.00</b>	\$	\$ -
<b>DEBT MANAGEMENT TOTAL</b>		22.20	<b>22.00</b>	\$	<b>1,557,979</b>

# Debt Management

## Revenue and Expense Statement (Non-General Fund)

### SPECIAL DISTRICTS FUND

	FY 2006*	FY 2007*	FY 2008*
	BUDGET	BUDGET	FINAL
<b>BEGINNING BALANCE AND RESERVE</b>			
Balance from Prior Year	(1) \$ 86,557	\$ -	\$ -
<b>TOTAL BALANCE</b>	<b>\$ 86,557</b>	<b>\$ -</b>	<b>\$ -</b>
<b>REVENUE</b>			
1911 Act Reimbursement (Other Fund Transfers)	(1) \$ 89,299	\$ 22,572	\$ -
CFD and Assessment District Admin Charges	(1) \$ 488,971	\$ 532,251	\$ -
District Formation Activities	(1) \$ 232,598	\$ 285,043	\$ -
Special Districts Services to Other Funds	(1) \$ -	\$ 72,413	\$ -
<b>TOTAL REVENUE</b>	<b>\$ 810,868</b>	<b>\$ 912,279</b>	<b>\$ -</b>
<b>TOTAL BALANCE AND REVENUE</b>	<b>\$ 897,425</b>	<b>\$ 912,279</b>	<b>\$ -</b>
<b>OPERATING EXPENSE</b>			
Non-Personnel	(1) \$ 229,951	\$ 243,512	\$ -
Personnel	(1) \$ 667,474	\$ 630,614	\$ -
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 897,425</b>	<b>\$ 874,126</b>	<b>\$ -</b>
<b>TOTAL EXPENSE</b>	<b>\$ 897,425</b>	<b>\$ 874,126</b>	<b>\$ -</b>
<b>BALANCE</b>	<b>\$ -</b>	<b>\$ 38,153</b>	<b>\$ -</b>
<b>TOTAL EXPENSE, RESERVE AND BALANCE</b>	<b>\$ 897,425</b>	<b>\$ 912,279</b>	<b>\$ -</b>

\* At the time of publication audited financial statements for Fiscal Year 2006 were not available. Therefore, the Fiscal Years 2006 and 2007 columns reflect final budget amounts from the Fiscal Year 2006 and 2007 Annual Budgets. As such, balances and reserves do not reflect carryover from the previous fiscal year.

(1) Effective for Fiscal Year 2008, the Special Districts Administration function (Dept 7207) will no longer be a 'stand alone' effort, but will be merged into the Debt Management Department (056) as a separate Activity Group. The scope and functions of Special Districts Administration will remain essentially unchanged, however, as a combined unit under Debt Management, separate Annual Revenue & Expense Statements will no longer be required (beyond historical data).

