

Pat Flannery

From: Jerry Sanders [JerrySanders@saniego.gov]
Sent: Monday, November 19, 2007 1:45 PM
To: pat@blogofsandiego.com
Subject: Mayor Announces City's Debt Financing Plan

CITY OF SAN DIEGO MAYOR'S OFFICE

MAYOR HOME ABOUT JERRY SANDERS CONTACT ME NEWS CENTER

A message from:
Mayor Jerry Sanders



Since I took office, a fundamental part of my reform agenda has been to get San Diego back into the public bond market just as soon as we responsibly could. In preparation for that eventuality, we have reformed our financial and disclosure practices and will continue to institute stricter financial controls throughout the City. Because the borrowing rates in the public markets are traditionally lower than in other markets, it makes a great deal of sense for our taxpayers that we have access to public capital just as soon as possible. Today, I issued a report to the City Council outlining my debt financing strategy. [Click here to see a copy of this memo.](#)

Last month, the City issued its audited financial statements for FY05. This audit joins those previously released for FY03 and FY04. The City has been told by Standard & Poor's that the completion of the FY06 audit will be necessary before they would be able to reinstate the City's credit rating. Assuming we receive the City Attorney's cooperation, our plan is to complete the FY06 CAFR by the end of January 2008. Upon completion of the 2006 audit, the City would immediately send the audit to the three rating agencies. This, along with the other three CAFR's which have already been received and reviewed by the rating agencies, should bring closure to this chapter in the City's history and reopen access to the public capital markets. Based upon our working assumption that the City has a completed 2006 audit in late January, the City would conceivably be able to access public funds by the end of April. Any delays in the completion of the FY06 audit will have an increasingly negative impact on our ability to finance critical improvements at reasonable borrowing costs.

The City's Water Department requires funding to continue critical capital improvements. My office is in the process of securing additional funding in order to continue Capital Improvements Projects through January 2010. In January, a plan, with two components, will be presented to the City Council for their consideration. The first component will be to secure approximately \$120 million in interim, or short-term, funding to continue critical water system improvements through June 2008. The second component is a permanent, long-term public offering. Because this transaction requires an ordinance, and so that we can proceed in the most efficient manner possible, the legal documents authorizing a public offering will be brought before the

Council in January. My staff would then return to Council in March with an Offering Statement related to this transaction once the 2006 CAFR has been completed.

Work will also soon begin on a public offering for the needs of our wastewater system. In the fourth quarter of next year, we anticipate bringing forward a bonding program for approximately \$700 to \$800 million in financing.

One of the most important commitments made in my Five Year Financial Outlook is to fund deferred maintenance and capital improvements. The end result of this goal will be roof repairs to our museums and libraries; heating and cooling system upgrades our park and rec facilities and police stations; painting, floor covering repair, structural repairs; and repairs and improvements to storm drains, streets and sidewalks. In order to begin the fulfillment of this commitment, early next year, we are exploring a short-term financing strategy that will generate approximately \$100 million in funding to address funding needs for fiscal years 2008 and 2009. This interim financing mechanism would eventually be refinanced at more favorable rates once we can access the public markets. A similar short-term strategy, subject later to long-term bond refinancing, is being studied for a contribution to the pension system.

I want San Diegans to know that we are doing everything possible to have our City once again back in the public markets. While I think it's prudent that we utilize short-term private financing vehicles to fund critical infrastructure improvements, access to the public markets will allow the City to fund major capital improvements and meet financial funding obligations in a more cost-efficient manner.

As I stated earlier, our plan is to issue the FY06 CAFR in late January. The City Attorney's cooperation will be critical to the fulfillment of this goal. His cooperation is also necessary in the preparation of the documents that go along with the various financing vehicles outlined above. It is important that San Diegans know that his obstructionism resulted in a delay of approximately 8 weeks to the release of our FY05 CAFR. Delays associated with the release of the 2006 CAFR will impede our access to the public credit markets thereby costing taxpayers more money and have a negative impact on our ability to provide critical improvements to our basic infrastructure.

Click here to see a copy of my debt financing memo to the City Council.

<http://www.sandiego.gov/mayor/pdf/071119.pdf>

This message was intended for: pat@blogofsandiego.com
You were added to the system September 26, 2007. For more information [click here](#).
[Update your preferences](#) | [Unsubscribe](#)

11/19/2007

Powered By

