#51
5/06/08

Zumaya, Mary

From: Blake, Mark
Sent: Wednesday, April 30, 2008 2:31 PM
To: Zumaya, Mary
Subject: FW: SAN DIEGO CITY ATTORNEY WILL NOT SIGN-OFF ON BOND OFFERING
Attachments: NRstatementBondOffering4.23.08.pdf; DeferredMaintenance4.21.08.pdf

FYI.

From: Velasquez, Maria
Sent: Wednesday, April 23, 2008 1:07 PM
To: Velasquez, Maria
Subject: SAN DIEGO CITY ATTORNEY WILL NOT SIGN-OFF ON BOND OFFERING

Attached News Release & Legal Opinion

SAN DIEGO CITY ATTORNEY WILL NOT SIGN-OFF ON BOND OFFERING, OPINES THAT PUBLIC VOTE NEEDED FOR DEFERRED MAINTENANCE FINANCING

##
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Communications Division
Office of the San Diego City Attorney
1200 Third Avenue, Suite 1620
San Diego, CA 92101
619-235-5725 media line
619-236-7215 fax

Office of
The City Attorney
City of San Diego

MEMORANDUM

DATE: April 21, 2008

TO: Council President Peters and Members of the City Council

FROM: Michael J. Aguirre, City Attorney

SUBJECT: Deferred Maintenance Financing (Item 331)

On April 22, 2008, the City Council will consider an Ordinance to authorize the issuance of not to exceed $108,000,000 aggregate principal amount of Public Facilities Financing Authority Lease Revenue Bonds [the Bonds] to finance certain deferred maintenance needs of the City. The financing structure contemplates a lease-lease back arrangement in which the subject matter of the lease (i.e. the "Leased Property", as further described below) receive no benefit of the proceeds of the bonds. The transaction is described in greater detail in the Report to Council, Report No. 08-041, dated March 26, 2008 [Report]. For the reasons stated below, it is the opinion of the City Attorney that the proposed financing violates the debt limit of the State constitution and the City Charter, and therefore must be subject to an approving 2/3rds vote of the electorate.

Under California Constitution, Article XVI § 18 and City Charter, Article VII, § 99, City officials cannot borrow from future year revenues to pay bills from earlier years without a vote of the people. The Constitution and City Charter provide in pertinent part:

> No... City...*shall incur any indebtedness or liability in any manner* or for any purpose *exceeding in any year the income and revenue provided for such year, without the assent of two-thirds of the voters of the public* entity voting at an election to be held for that purpose.... Cal. Const., Art. XVI, § 18(a) (emphasis added).
>
> The City *shall not incur any indebtedness or liability in any manner* or for any purpose *exceeding in any year the income and revenue provided for such year unless the qualified electors of the City, voting at an election to be held for that purpose, have indicated their assent* as then required by the Constitution of the State of California.... San Diego City Charter, Article VII, § 99 (emphasis added).

The financing structure is as follows. The City will lease the Leased Property (consisting of the Police Headquarters, the Rose Canyon Operations Station, the Mission Valley Library, the Malcolm X Library and the Scripps Ranch Library, and referred to in the Site Lease) to the Authority for a nominal rental amount and the City will lease the Leased Property back from the Authority for the fair market rental value of the properties. City lease payments to the Authority will be used to pay the debt service on the Bonds. The City will covenant to appropriate annually the necessary moneys to make the rental payments. The Bonds are intended as an interim financing and the City intends to refund the Bonds in two years through the public issuance of long term bonds. Consequently, the Bonds have a two-tiered interest rate structure, with an initial fixed rate for the first two years and a subsequent higher fixed rate (to be determined) from the third year to maturity. The City would also be required to begin paying principal and interest on the Bonds after the first two years of interest only payments.

We requested a continuance at the April 7, 2008 Council meeting on this matter to further review the proposed legal structure. We have received, and reviewed, a memorandum dated April 21, 2008 from Hawkins Delafield & Wood LLP purporting to analyze the legality of the transaction [Hawkin's Memorandum, attached hereto as Exhibit A]. Our research has found no case in which a California court has approved the type of transaction herein contemplated. We are aware that courts have approved other forms of lease transactions (see e.g., *Rider v. City of San Diego* 18 Cal. 4^{th} 1035) as exceptions to the debt limit. But we have been unable to locate a case in which the City is permitted, in effect, to take out a mortgage on City property and use the proceeds to pay for deferred maintenance of the City. Without such authority, the office of the City Attorney would be unable to deliver its opinion that the Bonds are "duly authorized" given the specific language of the debt limit provisions of City's Charter and the State constitution. We therefore believe that the prudent course necessitates that the City obtain voter approval of the Bonds. The debt limit provisions are designed to prevent the accumulation of indebtedness without the assent of those who would be obligated to pay for such indebtedness. In effect, local entities, such as the City, must operate on a pay-as-you-go basis, absent a waiver approved by two-thirds of the voters. The current proposal seeks to borrow $108 million repayable from future taxes---in other words, money that is not currently in City hands today---without a vote of the electorate.

The proposed legal structure is simply a legal fiction, a structure by design intended to work around the debt limit. Not only does the proposed structure violate the plain language and spirit of the debt limit, it also subjects taxpayers, and a future City Council, to the risk of paying unaffordable interest rates on the Bonds (up to 12%) when such interest rates adjust in two years (assuming the City does not pursue a long-term take out of the financing). Alternatively, if the City cannot either pay debt service or provide long term financing for the Bonds, the City has put at risk its police headquarters and libraries at risk to pay for deferred maintenance expenses of the City, costs that should be paid for out of cash on a year-by-year basis.

The City Attorney has carefully reviewed and considered the Hawkin's Memorandum, and observes that it too has located no definitive binding legal authority. While the memorandum cites other legal authority as persuasive, the office of the City Attorney believes that if the proposed financing is permitted then the debt limit has little or no meaning and its observance little more than a shallow ceremony. Thus, it is the opinion of the City Attorney that the Bonds must be approved by the voters especially when, as here, the subject matter of the proposed lease is not the beneficiary of the bond proceeds.

MDB:jdf

cc: Jerry Sanders, Mayor
Andrea Tevlin, Independent Budget Analyst
Jay Goldstone, COO
Mary Lewis, CFO

San Diego City Attorney
MICHAEL J. AGUIRRE

NEWS RELEASE

FOR IMMEDIATE RELEASE: April 23, 2008
Contact: Communications Division (619) 235-5725

CITY ATTORNEY WILL NOT SIGN-OFF ON BOND OFFERING, OPINES THAT PUBLIC VOTE NEEDED FOR DEFERRED MAINTENANCE FINANCING

At the behest of San Diego Mayor Jerry Sanders, the San Diego City Council yesterday approved by a 7-1 vote a financing scheme to borrow $108 million dollars for deferred maintenance needs of the City of San Diego. The proposed financing was over my objection.

The heart of my objection is that the proposed financing mechanism violates the debt limit provisions of the City Charter and State Constitution. I also provided a legal opinion to the Mayor and City Council to that effect.

The debt limit provisions are designed to prevent local governments from accumulating ever-increasing amounts of indebtedness without the consent of those that will have to repay the debt. In effect, these provisions require that the City operate on a pay-as-you-go basis, absent a waiver approved by a two-thirds vote of the electorate. The Mayor's proposal seeks to borrow $108 million repayable from future taxes—in other words, money that is not currently in the hands of the City today---without a vote of the public.

Furthermore, the proposed financing requires that taxpayers put at risk some of its most valuable assets—our San Diego Police Department's headquarters and neighborhood libraries—in order to secure the financing; yet none of these pledged properties will receive the bulk of the bond proceeds for improvements.

(MORE)

Under California Constitution, Article XVI § 18 and City Charter, Article VII, § 99, City officials cannot borrow from future year revenues to pay bills from earlier years without a vote of the people. The Constitution and City Charter provide in pertinent part:

> No... City...***shall incur any indebtedness or liability in any manner*** or for any purpose ***exceeding in any year the income and revenue provided for such year, without the assent of two-thirds of the voters of the public*** entity voting at an election to be held for that purpose.... Cal. Const., Art. XVI, § 18(a).
>
> The City ***shall not incur any indebtedness or liability in any manner*** or for any purpose ***exceeding in any year the income and revenue provided for such year unless the qualified electors of the City, voting at an election to be held for that purpose, have indicated their assent*** as then required by the Constitution of the State of California.... San Diego City Charter, Article VII, § 99.

My principal concern is that there exists no legal case on point that provides authority for the financing. Also, I specifically informed the Mayor's Chief Operating Officer, Jay Goldstone, that I would not support the bond offering absent such California case law.

It is for that reason that the City Attorney's Office will not sign-off on the bond offering proposed by the Mayor and approved by the City Council.

But more than this, the Mayor has at his disposal a valid and transparent vehicle for financing the City's deferred maintenance infrastructure needs. It's called a general obligation bond. The Mayor simply has to show strong leadership, the leadership he has pledged to the voters. If the Mayor believes that the deferred maintenance needs of the City are critical, then he should by all rights go to the voters and make the case. However what the Mayor proposes is to borrow money by use of a vehicle that is by all accounts designed to avoid the consent of those who have to repay the debt. Thus the Mayor proposes to repeat the errors of the past with respect to the City's $2 billion pension and health care debt: borrowing money today without any viable means to repay the debt. What the City needs today is courageous leadership. The Mayor can do better.

Michael Aguirre
San Diego City Attorney

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City of San Diego
MEMORANDUM

DATE: March 17, 2008

TO: Council President and City Council

FROM: Lakshmi Kommi, Debt Management Director
via Mary Lewis, Chief Financial Officer Mary Lewis

SUBJECT: Request for City Council Action – General Fund Deferred Maintenance Capital Improvement Projects Financing

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Enclosed herewith are materials relating to the proposed 2008A Lease Revenue Bonds for review and consideration by the City Council:

- Request for City Council Action
- Executive Summary
- Report to the City Council
- Companion Report – Deferred Maintenance Projects
- City Ordinance
- Reimbursement Resolution
- Bond Purchase Agreement – 2008A Lease Revenue Bonds
- Site Lease – 2008A Lease Revenue Bonds
- Lease Agreement – 2008A Lease Revenue Bonds
- Assignment Agreement – 2008A Lease Revenue Bonds
- Indenture – 2008A Lease Revenue Bonds
- *Bank of America Community Reinvestment Activity information*

The City's Disclosure Practices Working Group (DPWG) reviewed the financing proposal and the related financing documents on March 13, 2008. The City Attorney's Office will provide the no disclosure certification on the financing and a memorandum addressing the due diligence process, including a list of Transaction Questions and Answers on the key issues pertaining to the proposed financing, prior to the City Council meeting.

City Council staff and the Independent Budget Analyst will be contacted to conduct individual City Council staff briefings.

Lakshmi Kommi

Lakshmi Kommi
Debt Management Director

Cc: Independent Budget Analyst Office
City Attorney's Office

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05/06

THE CITY OF SAN DIEGO

REPORT TO THE CITY COUNCIL

DATE ISSUED: March 26, 2008 REPORT NO: 08-042

ATTENTION: Council President and City Council
Agenda of April 1, 2008

SUBJECT: Deferred Maintenance Projects

REFERENCE: General Fund Deferred Maintenance Capital Improvements Projects Financing

REQUESTED ACTION: Accept this report

STAFF RECOMMENDATION: Accept this report

SUMMARY: Proceeds from the sale of privately financed lease revenue bonds are needed in order to fund street, sidewalk, storm drain and facility deferred maintenance projects as outlined in the Mayor's *Five-Year Financial Outlook*. Details of the financing are discussed in a companion staff report from the Debt Management Department.

FISCAL CONSIDERATIONS: For the fiscal impact of privately financed lease revenue bonds, refer to companion report - General Fund Deferred Maintenance Capital Improvements Projects Financing. There will not be any operations and maintenance cost increases associated with the deferred maintenance projects.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None

KEY STAKEHOLDERS AND PROJECTED IMPACTS: Residents of the City of San Diego will see continued improvements to City Facility, Street and Storm Drain infrastructure to address the deferred maintenance needs in these areas.

BACKGROUND:

On November 29, 2006, the Mayor released the *City of San Diego Five-Year Financial Outlook - Fiscal Years 2008 - 2012* which addressed eight (8) significant areas in order to provide the City with short and long term stability. One significant area identified was "Funding Deferred Maintenance and Capital Improvement Needs." The Deferred Maintenance portion of this area is the responsibility of the General Services Department and includes four major components; street, sidewalk, storm drain and facility deferred maintenance.

In Fiscal Year 2008, the Five-Year Financial Outlook provided for $5.3 Million (100% cash funded) to be spent on facility deferred maintenance and $33.0 Million (75% financed / 25% cash) to be spent on street and storm drain deferred maintenance. For Fiscal Year 2009, $31.8 Million ($25 Million financed / $6.8 Million cash) is outlined for facility deferred maintenance and $70.0 Million (75% financed / 25% cash) for street and storm drain deferred maintenance. For this two-year period, the total cash portion amounts to $37.85 Million and the total financed portion amounts to $102.25 Million. The specific projects to be funded from the financed portion are listed in Attachment A.

DISCUSSION:

The financed portion for these capital deferred maintenance projects was originally scheduled to be provided for by public revenue bonds. As of current, the City of San Diego has not been able to access the public debt market and has been utilizing cash to initiate these capital projects. As available cash is limited, the General Services Department is requesting private bond financing in order to complete these needed capital projects. The estimated bond proceeds, expected to be available in June 2008, are approximately $102.25 Million and will be used to fund various street, storm drain and facility deferred maintenance projects in Fiscal Year's 2008 and 2009. Part of the bond proceeds will be used to reimburse the City for any eligible project expenditures funded by the City in anticipation of receiving the proceeds of the bond funding with the remaining proceeds being used to fund the remaining capital projects.

Mario X. Sierra, Director
General Services Department

David Jarrell
Deputy Chief of Public Works

000107

FY08-09 Financed Deferred Maintenance Projects	Total Proj Estimate FY 2008	FY 2009
STREETS AND STORM DRAINS	**$24,750,000**	**$52,500,000**
Street Projects	**$18,500,000**	**$35,000,000**
Street Resurfacing - 30.8 miles	$18,500,000	
Street Resurfacing - 46.0 miles		$27,500,000
Concrete Street Projects		$7,500,000
Sidewalk/Concrete Projects	$2,050,000	**$7,500,000**
Sidewalk Repair Projects - 1,016 locations	$2,050,000	
Sidewalk Repair Projects - 1,300 locations		$7,500,000
Storm Drain Projects	$4,200,000	**$10,000,000**
Rowena 54" CMP Replacement	$600,000	
6th Avenue 12" CMP Replacement	$475,000	
Ransom/Darwin 42" CMP Replacement	$700,000	
La Playa 30" RCP Outfall	$450,000	
Campus Point 18" CMP Replacement	$800,000	
Glen Curtis Surface Drain	$825,000	
Ingulf Place 36" CMP Replacement	$350,000	
Torrey Pines Road Slope		$950,000
Riviera (3663)		$150,000
Scripps Storm Drain		$50,000
Via Rialto		$400,000
Mission Bay Interceptor System		$1,400,000
Fontaine		$750,000
Wenrich		$400,000
Boat Depot		$500,000
Alvarado Creek/Fairmont		$500,000
Carmel Country Road		$250,000
Via Alicante		$200,000
Beardsley Street		$600,000
National Ave		$600,000
Avocado Place		$500,000
Neptune		$400,000
Garnet Ave (2550)		$200,000
Arcadia Dr.		$600,000
Arista St		$400,000
Talbot St		$500,000
La Cresta Dr		$400,000
Arden Way		$250,000
FACILITIES	**$0**	**$25,000,000**
Roofing Projects		**$3,925,000**
Fire Station 17 (Chamoun Ave)		$200,000
Fire Station 09 (La Jolla)		$150,000
Fire Station 38 (Mira Mesa)		$150,000
Northeastern Police Station		$150,000
Mid City Police Station		$150,000
Southeastern Police Station		$150,000
Western Police Station		$150,000
Eastern Police Station		$150,000
Southern Police Station		$150,000
Traffic Division		$100,000
Ocean Beach Library		$150,000
Mission Hills Library		$75,000
Casa Del Prado		$1,500,000
SD Municipal Gym		$300,000
North Clairemont Rec Center		$250,000
La Jolla Senior Center		$75,000
Mt. Hope Cemetary		$75,000

000108

FY08-09 Financed Deferred Maintenance Projects	Total Proj Estimate FY 2008	FY 2009
Public Safety Facilities		**$8,600,000**
FS 5, Hillcrest - Design		$750,000
Children's Pool LG Tower - Design & Construction		$2,800,000
La Jolla Shores LG Tower - Construction		$3,800,000
FS 22, Point Loma - Design		$100,000
FS 17, City Heights - Design		$750,000
Police Range Refurbishment - Design		$400,000
Parking Lot Resurfacing (Overlay)		**$4,530,000**
Fire Station 27 (Clairmont Drive)		$30,000
Fire Station 32 (Paradise Hills)		$50,000
Various Recreation Centers		$100,000
Various Senior Centers		$300,000
Western Police Station		$50,000
Balboa Park Parking Lots		$2,500,000
Mission Bay Parking Lots		$1,500,000
HVAC Projects		**$3,250,000**
Police Mid-City Communications Center		$200,000
North Park Library		$250,000
Casa del Prado		$150,000
Museum of Man		$300,000
Pacific Beach Library		$550,000
Casa de Balboa		$1,300,000
Fire Communications Center		$500,000
Plumbing Projects		**$1,360,000**
Police Headquarters		$200,000
Spanish Village		$660,000
Fire Station 25 (Bay Park)		$75,000
Fire Station 36 (Clairemont)		$75,000
Main Library		$350,000
Electrical Projects		**$950,000**
Fire Station 24 (Carmel Valley)		$25,000
Lifeguard Headquarters		$75,000
Police Headquarters		$650,000
Southeastern Police Station		$200,000
Elevator Modernization Projects		**$1,385,000**
Casa de Balboa		$100,000
Casa Del Prado		$100,000
Old Globe Theater		$100,000
Main Library		$560,000
City Concourse		$200,000
San Diego Aerospace Museum		$100,000
Museaum of Art		$50,000
Museum of Man		$25,000
Tierasanta Recreation Center		$25,000
Rancho Bernardo Library		$25,000
Development Review Center		$100,000
Windows / Doors		**$1,000,000**
Police Headquarters (reseal windows)		$750,000
Police Headquarters (replace front doors)		$100,000
Lifeguard Headquarters (replace garage doors)		$100,000
Fire Station 16 La Jolla (apparatus door)		$50,000
TOTAL	**$24,750,000**	**$77,500,000**

000109

THE CITY OF SAN DIEGO

REPORT TO THE CITY COUNCIL

DATE ISSUED: March 26, 2008 REPORT NO: 08-041

ATTENTION: Council President and City Council
Agenda of April 1, 2008

SUBJECT: General Fund Deferred Maintenance Capital Improvement Projects Financing

REFERENCE: Companion Report – Deferred Maintenance Projects

REQUESTED ACTIONS:

1. Authorize the issuance by the Public Facilities Financing Authority of the City of San Diego (the "Authority") of its Lease Revenue Bonds, Series 2008A (Various Capital Improvement Projects) ("2008A Bonds") in the principal amount not to exceed $108 million and the execution of related financing documents, to finance various General Fund deferred maintenance capital improvement projects and costs of issuance. The related financing documents include:
   a. A Site Lease between The City of San Diego ("the City") and the Authority;
   b. A Lease Agreement between the City and the Authority;
   c. An Assignment Agreement between the Authority and Wells Fargo Bank, National Association (the "Trustee");
   d. A Purchase Agreement between Bank of America, N.A. (the "Purchaser") and the Authority; and
   e. An Indenture between the Authority and Trustee

2. Declare the City's intent to use proceeds of indebtedness to reimburse itself if funds are advanced by the City for eligible capital improvement expenditures related to the General Fund Deferred Maintenance funding program.

3. Authorize the form of the Financial Advisory Services Agreement between the City and Montague DeRose and Associates, LLC to provide financial advisory services for the proposed 2008A Bonds for an amount not to exceed $37,500, plus reasonable out-of-pocket expenses not to exceed $5,000, contingent upon the closing of the transaction.

4. Authorize the City Attorney to appoint Hawkins Delafield and Wood LLP as Bond Counsel for the City in connection with the issuance of the 2008A Bonds, and pay an amount not to exceed $70,000, plus reasonable out-of-pocket expenses not to exceed $5,000, contingent upon the closing of the transaction.

STAFF RECOMMENDATION:

Approve the requested actions.

SUMMARY:

I. Background

The City's Five-Year Financial Outlook ("5-Year Outlook") released in November 2006 and revised in January 2008 lays out the City's General Fund deferred maintenance needs. The 5-Year Outlook identifies the total funding allocated to deferred maintenance capital improvement projects and the proposed breakdown between funding with cash on-hand and funding with proceeds of the 2008A Bonds (see table below). The financing plan for the 2008A Bonds addresses the financing needs identified for the General Fund deferred maintenance capital improvement projects for Fiscal Years 2008 ($24.75 million) and 2009 ($77.5 million) totaling $102,250,000.

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
	Budget			Five-Year Financial Outlook		
Buildings and Facilities	**$5,300,000**	**$31,800,000**	**$50,000,000**	**$50,000,000**	**$50,000,000**	**$50,000,000**
Cash	$5,300,000	$6,800,000	$25,000,000	$25,000,000	$25,000,000	$25,000,000
Financed	$0	$25,000,000	$25,000,000	$25,000,000	$25,000,000	$25,000,000
Streets and Storm Drains	**$33,000,000**	**$70,000,000**	**$90,000,000**	**$90,000,000**	**$90,000,000**	**$90,000,000**
Cash	$8,250,000	$17,500,000	$22,500,000	$22,500,000	$22,500,000	$22,500,000
Financed	$24,750,000	$52,500,000	$67,500,000	$67,500,000	$67,500,000	$67,500,000
Total Financed Amt	**$24,750,000**	**$77,500,000**	**$92,500,000**	**$92,500,000**	**$92,500,000**	**$92,500,000**

Source: Five-Year Financial Outlook, January 2008

In Fiscal Year 2008, $24.75 million is programmed to fund street-related and storm drain deferred maintenance projects. Of this amount, $18.5 million was estimated to be used for various street resurfacing projects, $4.2 million for storm drain repairs, and $2.05 million for sidewalk repairs.

In Fiscal Year 2009, $52.5 million is proposed to fund street-related and storm drain deferred maintenance projects and $25.0 million under buildings and facilities category. Of the $52.5 million in Fiscal Year 2009, $35 million is estimated to be used for various street resurfacing projects, $10 million for storm drain repairs, and $7.5 million for sidewalk repairs. The $25.0 million in Fiscal Year 2009 deferred maintenance projects relating to buildings and facilities are anticipated to be allocated towards roof replacement projects, public safety facilities, parking lot resurfacing, heating and cooling system repairs and replacements, elevator modernization projects, windows and door replacements, and various electrical and plumbing upgrades to various General Fund supported City Facilities.

For a detail list of projects, refer to the Companion Report – Deferred Maintenance Projects.

II. Discussion

A. Financing Plan & Structure

The 2008A Bonds are an interim financing measure to address the funding needs identified for the General Fund deferred maintenance capital improvement projects in Fiscal Years 2008 and 2009.

The proposed interim borrowing was initially planned as a 2-year short term note obligation with a 2-year lease financing structure. Based on further legal analysis by the Bond Counsel, City Attorney, and the Purchaser's Counsel, the 2-year lease option was converted to a 10-year lease in order to conform to the outstanding legal precedent in structuring lease revenue obligations. It was determined that a 10-year term will provide adequate support and establishes necessary legal parameters to make the lease payments.

The financing plan contemplates refunding the proposed private borrowing in two years (2010) with a 30-year traditional public offering. Therefore, instead of fixing an interest rate for the full 10-year borrowing term which would be higher than for a borrowing term for 2-years, working with the Purchaser, a two-tier pricing (described below) was structured: a lower fixed interest rate (based on a 2-year Index plus fixed spread) for the first two year period and if the City is unable to refund the 2008A Bonds by 2010, a higher interest rate (based on an 8-year Index plus fixed spread) for years 3-10. Based on current interest rate levels as of March 12, 2008, the interest rate for the 2-year term is 3.46% and the interest rate for the 3-10 year term will be 4.45%, a 99 basis point (0.99%) differential in interest rate between the two year lease period and the 3-10 year lease period. Note that under the financing structure, if the City is not able to refund the notes by the two year point, based on the market conditions at that time, and the levels of the 8-year Index, the interest rate fixed for 3-10 year period (at the beginning of year 3) until the City can refund the Bonds could be a maximum of 12% (the maximum permitted legal rate).

Key Aspects of the financing plan and structure

- **Method of Sale**: The proposed 2008A Bonds will be privately placed with Bank of America, N.A ("BofA").
- **Principal**: Not to exceed $108 million.
- ***Maturity***: *Estimated 10-years from the date of closing, June 2018.*
- **Pricing/Interest Rate**:
    - Fixed rate; two-tier pricing.
    - Tier 1: Years 1 and 2 interest only payments. The spread is 1.875% over the 2-year Index[1]; the interest rate will be fixed at pricing which is currently projected to occur during the last week of May 2008.
    - The City covenants to use its reasonable best efforts to refund the Series 2008A Bonds at the end of year 2. If the bonds remain outstanding beyond year 2, the interest rate will be reset as specified under Tier 2 of the pricing structure.

[1] Index is the Cost of Funds Rate (COFR), which is 62.347% of Bank of America's cost of funding rate. As of March 12, 2008, the 2-year Index was 1.58% (62.347% of 2.54%) and the 8-year Index was 2.20% (62.347% of 3.52%).

Tier 2: Fixed rate for years 3 - 10 with principal amortized on a level basis annually. The spread is fixed at 2.25% over the 8-year Index; interest rate fixed at the beginning of year 3.

- **Transferability**: 2008A Bonds may only be held by the Purchaser or transferred to a parent, subsidiary, or affiliate of the Purchaser or held in a tender option bond trust of which the Purchaser is the sponsor and the trustor provided that the shares of the said trust are held by twelve or fewer Qualified Institutional Buyers. (At the time the 2008A Bonds are closed, the Purchaser intends to treat this borrowing as a balance sheet lending and maintain such borrowing on its balance sheet until the 2008A Bonds are called).
- **Call Provision**: A call provision will allow the City to refund the 2008A Bonds, in whole or in part at any time after two years following the closing of the 2008A Bonds at no premium.
- **Repayment Source**: General Fund revenues to pay interest and principal payments.

For comparison purposes, as of the week of March 10, 2008, "BBB" rated lease revenue bonds in the public market would be priced at 3.08% for a 2-year term and at 4.67% for a 10-year term. The interest rate premium for the proposed 2-year term reflects, among other things, the illiquid nature of the bonds (the fact that the 2008A Bonds will be issued in the private market with resale restrictions), the absence of ratings and that the City does not have current financial statements. The financial advisor has reviewed the proposed pricing and concurs that the interest rate spreads for the initial two and eight-year financing periods are reasonable with the cost of funds of capital to the Purchaser for a 10-year financing term.

B. <u>Legal Structure</u>

Issuing Authority

The issuer of the 2008A Bonds is the Public Facilities Financing Authority of the City of San Diego. The Authority was established pursuant to a Joint Exercise of Powers Agreement, dated May 14, 1991, between the City and the Redevelopment Agency of the City. The Authority was established to serve as a financing vehicle for certain of the City's facilities and projects.

Lease Structure

Lease revenue bonds are based on a lease arrangement between two entities: a governmental entity and typically, a non-profit agency, financing authority, or joint powers authority which issues the bonds, which is also called a lease, lease-back transaction. In the case of the 2008A Bonds, the lease arrangement is between the City and the Authority. The proposed bonds are based on an abatement structure, whereby the City makes lease/rental payments for the duration it has use and occupancy of the facilities leased by the Authority. The City's duty to make lease payments abates if all or a portion of such facilities cannot be used; this applies even if the reason the facilities cannot be used is beyond the control of the City.

The capital improvement projects (for example, street resurfacing, existing facility repairs) being financed by the 2008A Bonds, are not leasable assets under the financing. Therefore, an asset-transfer is necessary in place of pledging the properties being improved with the proceeds of the proposed bonds. Under the proposed structure, the pledged assets are existing City-owned General Fund properties. The City initially leases these properties to the

Authority for a nominal rent of $1. The Authority in turn leases the assets back to the City. The City would make rental payments to the Authority annually for leasing the properties, which is determined to be the fair market rental value of the properties. The Authority receives the rental payments from the City and makes principal and interest payments over the lease term on the proposed 2008A Bonds. The City has used this asset-transfer structure, pledging City properties, for various General Fund outstanding lease financings, including the Certificates of Participation related to the Balboa Park Mission and Bay Park Capital Improvements Program, Series 1996A, Series 1996B, and Series 2003, the Jack Murphy (Qualcomm) Stadium Lease Revenue Bonds, Series 1998, and the Fire and Life Safety Facilities Lease Revenue Bonds, Series 2002B. See attachment 1 for a list of City properties pledged for outstanding General Fund financing transactions.

Following are the General Fund assets being pledged for the 2008A financing and their respective current appraisal values:

1.	Police Headquarters	$64,719,000
2.	Rose Canyon Operations Station	21,120,000
3.	Mission Valley Library	10,579,000
4.	Malcolm X Library	7,879,000
5.	Scripps Ranch Library	6,418,000
	TOTAL	**$110,715,000**

The properties were appraised for current market value by an appraisal firm coordinated by the City's Real Estate Assets Department. A preliminary title report has been obtained for each of the properties, establishing that the properties are not already encumbered and are free and clear of liens, subject to standard exceptions.

C. Financing & Legal Documents

1. A Site Lease between the City and the Authority: The Site Lease is the agreement under which the City leases the pledged assets to the Authority.
2. A Lease Agreement between the City and the Authority: The Lease Agreement is the agreement under which the Authority leases back the pledged assets to the City. The Authority receives the rental payments from the City which will be equivalent to the debt service payments on the proposed 2008A Bonds.
3. An Assignment Agreement between the Authority and the Trustee: Under the Assignment Agreement, the Authority assigns to the Trustee, without recourse, all of its rights to receive lease payments under the Lease Agreement.
4. An Indenture between the Authority and the Trustee: The Indenture provides for the issuance of the 2008A Bonds and sets forth terms, including the specific rights, responsibilities, and obligations of each party with respect to the issuance of the 2008A Bonds.
5. A Purchase Agreement between the Purchaser and the Authority: The Purchase Agreement defines the terms of the 2008A Bonds, purpose of the financing, form of security, transfer restrictions, interest rate, and maturity.

D. Financing Time Line

March 13, 2008	DPWG approval of due diligence materials and financing documents
April 1, 2008	Introduction of the Ordinance for the approval of financing documents related to the 2008A Bonds Approval of the Reimbursement Resolution
April 14, 2008	Approval of the Ordinance for the approval of financing documents related to the 2008A Bonds
April 16, 2008	Public Facilities Financing Authority meeting to approve 2008A Bonds
Week of May 26, 2008	Pricing and execution of Purchase Agreement
Week of June 2, 2008	Closing and receipt of funds

E. Financing Team

The City's Financing Team for the 2008A Bonds consists of staff of the Chief Financial Officer, Debt Management, City Attorney's Office, Comptroller's Office, Treasurer's Office, Risk Management, General Services, and Real Estate Assets Department. Outside consultants, include Montague DeRose and Associates, LLC ("Montague DeRose") as the financial advisor, Hawkins Delafield & Wood LLP as the Bond Counsel, White & Case LLP as Purchaser's Counsel, and Wells Fargo Bank, National Association as Trustee.

Bank of America N.A. was selected as the direct purchaser for the 2008A Bonds through a competitive process. A Request for Proposals ("RFP") was issued on November 16, 2007 to 36 firms including underwriting firms, banks, and municipal fund managers. Six (6) conforming proposals were received – Bank of America, JP Morgan, Wachovia Securities, Goldman Sachs, DEPFA First Albany, and UBS Securities. Bank of America offered the most flexible and cost effective option within the terms and conditions established in the RFP.

Montague DeRose was selected to provide financial advisory services for this transaction from the as-needed financial advisors list based on their experience in General Fund lease revenue bond financings, fee estimate, and knowledge of City requirements for private offerings. The fee to Montague DeRose for this issuance, which is contingent upon the successful closing of the 2008A Bonds, is for an amount not to exceed $37,500, plus out of pocket expenses not to exceed $5,000.

The City Attorney's Office has identified Hawkins Delafield and Wood LLP ("Hawkins") to serve as bond counsel. Hawkins has proposed to provide such service for a fee in an amount not to exceed $70,000. Expenses are not to exceed $5,000. The bond counsel fee is contingent upon the successful closing of the 2008A Bond issue.

Wells Fargo Bank was selected as the Trustee for this transaction through a competitive process. Compensation for the Trustee includes $3,550 for the transaction and ongoing annual fees of $1,750.

F. Reimbursement Resolution

It is anticipated that funding for certain capital expenditures related to the General Fund deferred maintenance capital improvement projects ("Project") may need to be advanced by the City prior to the closing of the 2008A Bonds. In order to reimburse capital expenditures with proceeds from the short-term financing, the City must adopt a reimbursement resolution in accordance with section 1.150-2 of Treasury Regulations ("Regulations").

The City reasonably expects that certain of these expenses will be advanced by the City for any eligible Project expenditures in anticipation of receiving proceeds of the 2008A Bond offering. By adopting a reimbursement resolution, City will satisfy the Official Intent Requirement under the Regulations and be able to reimburse Project-related expenditures using proceeds of the 2008A Bonds.

FISCAL CONSIDERATIONS:

A. Estimated Sources and Uses of Bond Proceeds (preliminary and subject to change)

Estimated Sources		
Par amount of 2008A Bonds		$102,552,000
Total Proceeds		**$102,552,000**
Estimated Uses		
Net Proceeds for the project (acquisition fund)		$102,250,000
Costs of Issuance		
Bond Counsel		$ 75,000
Purchaser's Counsel		45,000
Financial Advisor		42,500
Trustee		3,550
Title Insurance Policy		80,000
Property Appraisals		40,000
CDIAC Fees		3,000
Contingency (approx. 5%)		12,950
	Sub Total	$ 302,000
Total Uses of Funds		**$102,552,000**

B. Interest Rate and Projected Debt Service

The interest rate for the first two years will be fixed at 187.5 basis points (1.875%) above the two-year Index[2]. The interest rate will be set after the City Council approval of the proposed transaction and financing documents and is currently projected to occur during the week of May 26, 2008. As of March 12, 2008, the indicative interest rate is 3.46% for the first two years.

[2] *Index is the Cost of Funds Rate (COFR), which is 62.347% of Bank of America's cost of funding rate.* As of March 12, 2008, the 2-year Index was 1.58% (62.347% of 2.54%) and the 8-year Index was 2.20% (62.347% of 3.52%).

Interest only payments will be made during the first two years. Based on the principal amount of $102.6 million, the annual interest payment is estimated at approximately $3.5 million. Interest only payments will be made on a semi-annual basis on December 1 and June 1.

The City covenants to use its reasonable best efforts to repay (whether by refunding or otherwise) the Series 2008A Bonds at the end of year 2. If the bonds remain outstanding beyond year 2, the interest rate will be reset as specified under Tier-2 of the pricing for the years 3 to 10 at the beginning of year 3. The fixed interest rate will be at 225 basis points (2.25%) above the eight-year Index at that time. As of March 12, 2008, the indicative interest rate is 4.45% for the years 3 – 10. Beginning year 3, the principal will be amortized on a level basis annually. The first principal payment will be due on June 1, 2011, with annual debt service (interest and principal) projected to total approximately $15.5 million beginning FY 2011, through FY 2018.

The maximum effective interest rate established in the authorizing ordinance is 5.45%. The 2008A Bonds will not be priced as anticipated in the last week of May in the event that the effective interest rate exceeds this limit. It is not currently expected that the actual pricing for Tier 1 will result in an effective interest rate of 5.45%, however, should that occur, the annual debt service (interest only payments) at this rate would be approximately $5.6 million in Fiscal Years 2009 and 2010. As discussed earlier, if the 2008A Bonds remain outstanding beyond year 2, the pricing will fixed in year 3; the maximum interest rate on Tier 2 could be up to 12% (the maximum permitted legal rate).

C. Revenue Pledge

The debt service on the 2008A Bonds is supported by the General Fund. The estimated debt service has been incorporated in the 5-year outlook and will be brought forward for the City Council authorization during the FY 2009 budget process. There will not be any operations and maintenance cost increases associated with the deferred maintenance projects.

D. Impact on current debt ratios

In accordance with the City's Debt Policy, an analysis of the impact of additional General Fund backed bond obligation was conducted. The Debt Policy recommends that debt service as a percentage of General Fund revenues be below 10%.

Under the current outstanding bond obligation levels, the debt service as a percentage of General Fund revenues is at 3.93% for Fiscal Year 2008, and is projected to steadily fall to 2.66% by Fiscal Year 2013.

The issuance of the proposed 2008A Bonds would increase the debt service as a percentage of General Fund revenues from 3.93% in Fiscal Year 2008 to 4.03% in Fiscal Year 2009 and 4.38% in Fiscal Year 2011, before steadily decreasing to 3.83% by Fiscal Year 2013. This assumes interest only payments at 3.46% for the 1st two years, and interest and principal payments at an interest rate of 4.45% commencing in Fiscal Year 2011.

Attachment 2 presents the calculations pertaining to the debt service as a percentage of General Fund revenues, including the underlying assumptions. The analysis supports that the City remains below the 10% threshold established in the City's Debt Policy.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: N/A

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Business entities involved in this transaction are: Bank of America, N.A. (Purchaser); Hawkins Delafield & Wood LLP (Bond Counsel); White & Case LLP (Purchaser's Counsel); Wells Fargo Bank, National Association (Trustee); and Montague DeRose and Associates, LLC, (Financial Advisor).

Lakshmi Kommi
Debt Management Director

Mary Lewis
Chief Financial Officer

Attachments:

1. List of General Fund Lease Financings with Asset-Transfer Structure
2. Debt Service as a Percentage of General Fund Revenues

List of City Properties Pledged - Outstanding General Fund Financings with Asset Transfer Structure

Lease Revenue Bonds	Final Bond Payment	Properties Pledged
1 Public Facilities Financing Authority of the City of San Diego Taxable Lease Revenue Bonds Series 1996 A (San Diego Jack Murphy Stadium)	February 1, 2027	Stadium structure, the underlying real property, and portions of the adjacent parking areas
2 Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds Series 2002B (Fire and Life Safety Facilities Project)	April 1, 2032	Fire Stations # 9, 11, 14, 16, 20, 24, 28, 37, 41, 42, and 44
Certificates of Participation		
1 City of San Diego 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding)		
(1) Golf Course Portion	November 1, 2008	North Course of Torrey Pines Golf Course
(2) House of Charm Portion	November 1, 2023	House of Charm
2 City of San Diego Certificates of Participation (Balboa Park and Mission Bay Park Capital Improvements Program) Series 1996A	November 1, 2010	South Course of Torrey Pines Golf Course
3 City of San Diego Refunding Certificates of Participation (Balboa Park and Mission Bay Park Capital Improvements Program, Series 1991) Series 1996B	November 1, 2021	Balboa Park Municipal Golf Course

Source: Official Statements

000119

Attachment 2

Debt Service as a Percentage of General Fund Revenues

		Outstanding Principal & Interest as of 6/30/07	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Gen Fund Revenues (1)	[A]		$1,103,967,000	$1,163,600,000	$1,212,800,000	$1,238,300,000	$1,285,700,000	$1,323,100,000
Current General Fund Backed Bond Obligations (2)								
Total Gross Debt Service	[B]		$43,418,870	$43,390,731	$38,735,325	$38,740,383	$35,215,308	$35,210,331
- Open Space Park Refunding, Series 1994		$871,625	$437,025	$434,600	--	--	--	--
- MTDB/City Bayside Trolley Extension/Police Facilities Refunding, 1994 (3)		$8,566,086	$2,849,173	$2,847,906	--	--	--	--
- Balboa Park & Mission Bay Park, 1996A		$14,120,729	$3,528,679	$3,529,135	$3,531,735	$3,531,180	--	--
- Balboa Park & Mission Bay Park Refunding, 1996B		$13,313,130	$882,865	$877,130	$884,778	$880,630	$879,775	$886,861
- Jack Murphy (Qualcomm) Stadium Lease Revenue Bonds, Series 1996 A		$115,423,728	$5,773,203	$5,769,852	$5,769,853	$5,772,503	$5,772,103	$5,768,303
- Convention Center Expansion, 1998		$287,672,743	$13,699,125	$13,698,438	$13,700,968	$13,698,088	$13,700,688	$13,697,275
- Fire & Life Safety Improvements - Phase I, 2002B		$40,988,903	$1,621,208	$1,611,208	$1,617,570	$1,626,945	$1,629,325	$1,630,125
- Balboa Park & Mission Bay Park Refunding, 2003		$15,609,616	$2,155,689	$2,156,739	$758,099	$756,464	$757,844	$753,144
- City/MTDB Authority Refunding-Old Town Trolley Extension 2003		$18,466,650	$1,157,349	$1,151,224	$1,151,574	$1,156,324	$1,153,574	$1,153,374
- Ballpark Refunding 2007		$282,939,219	$11,314,556	$11,314,500	$11,320,750	$11,318,250	$11,322,000	$11,321,250
GROSS DEBT SERVICE AS A % OF GENERAL FUND REVENUES	[C = B/A%]		3.93%	3.73%	3.19%	3.13%	2.74%	2.66%
Proposed Additional Bond Obligations - 2008A Bonds								
Additional Debt Service (4)	[D]		--	$ 3,548,403	$ 3,548,403	$ 15,518,698	$ 15,516,200	$ 15,517,120
TOTAL EXISTING AND PROPOSED GROSS DEBT SERVICE	[E=B+D]		$ 43,418,870	$ 46,939,134	$ 42,283,728	$ 54,259,081	$ 50,731,508	$ 50,727,451
GROSS DEBT SERVICE AS A % OF GENERAL FUND REVENUES	[F=E/A%]		3.93%	4.03%	3.49%	4.38%	3.95%	3.83%

(1) General Fund Revenues: FY 2008 - Final Budget; FY 2009 - 2013 estimates reflect Mayor's Five Year Outlook for Fiscal Years 2009 – 2013, January 2008.

(2) Based on Debt Service schedules.

(3) Outstanding principal and interest as of 6/30/07 is higher than the remaining lease payments; lease payments to pay principal and interest are budgeted and paid to the Trustee in prior fiscal year in advance of the debt payments to the bond holders.

(4) Assumes effective interest rate of 3.46% for first two years, and an effective interest rate of 4.45% for following years. First estimated principal payment due on 6/1/2011.

Deferred Maintenance Funding
Lease Revenue Bonds, Series 2008 A

City Council Meeting of April 1, 2008
Item # 334

000121

Deferred Maintenance Needs

000122

- Recapitalization of City infrastructure and facility assets is identified as one of the eight significant areas that require immediate resources
- The City's 5-year Outlook presents the Deferred Maintenance funding plan for FY 2009 - FY 2013
  - Cash Funding
    - $24.3 million in FY 2009
    - $47.5 million each from FY 2010 to 2013
  - Bond Financing
    - $77.5 million in FY 2009
    - $92.5 million each from FY 2010 to 2013

Financing Plan

00123

- The proposed financing will address the funding needs for FY 2008 & 2009
  - Buildings & Facilities: $25 million (FY 09)
  - Streets, Sidewalks, & Storm Drains: $77.25 million (FY 08 & 09)

- Eligible projects are identified
  - Funding can only be used for capital projects; cannot be used for maintenance projects
  - Periodic updates on status of projects will be provided to the City Council

Capital Improvement Projects

000124

- Buildings & Facilities
  - Priorities are based upon:
    - FY07 condition assessment of Public Safety facilities
    - History of services calls and known facility problems
    - Input from the departments "owning" the facilities
    - Substantial known issues with facilities in Balboa Park
  - Planned Projects (In Millions)

Planned Projects (In Millions)	FY 09
Roofing projects	$ 3.93
Public safety facilities	8.60
Parking lot resurfacing	4.53
HVAC projects	3.25
Plumbing projects	1.36
Electrical projects	0.95
Elevator modernization	1.39
Windows/doors	1.00
TOTAL	$25.00

Capital Improvement Projects

000125

- Streets, Sidewalks, & Storm Drains
  - Priorities are based upon:
    - ♦ Biennial streets condition assessment (streets resurfacing)
    - ♦ Areas that flood during storm events (storm drains)
    - ♦ Areas with failed storm drains
    - ♦ Sidewalk problems due to City trees
  - Planned Projects (In Millions)

	FY 08	FY 09
♦ Streets resurfacing	$18.50	$35.00
- Overlay projects		
- 30.8 miles in FY08 & 46.0 miles in FY09		
♦ Various storm drain repairs	4.20	10.00
- 7 projects in FY 08 & 21 projects in FY09		
♦ Sidewalk repairs	2.05	7.50
- 1,016 locations in FY08 & 1,300 locations in FY09		
TOTAL	$24.75	$52.50

Proposed Financing

000126

2008A Lease Revenue Bonds

- Public Facilities Financing Authority - Lease Revenue Bonds, Series 2008A Bonds (Various Capital Projects)
  - In an amount not to exceed $108 million
  - Estimated issuance size $102.6 million

Key Financing Terms

C00128

- Method of Sale: Direct Purchase
- Term: 10 years
- The City covenants to use its reasonable best efforts to refund the Series 2008A Bonds at the end of year 2
- Debt Service: General Fund supported
- Transferability: Bonds may only be held by the Purchaser or transferred to parent, a subsidiary, or affiliate of the Purchaser or held in a trust held by twelve or fewer Qualified Institutional Buyers
- Purchaser representations: Has sufficient knowledge and experience to evaluate the offering; aware of transfer restrictions; and the City is not current with its financial statements

Key Financing Terms

CC0129

- Fixed Rate
- Pricing – Tier 1: Years 1 and 2
  – Tier 2: Years 3 to 10
- Years 1 and 2 - interest only payments
  - Fixed Spread: 1.875% over 2-year Index
  - Interest rate will be fixed at pricing to occur in late May
  - Indicative rate as of March 28, 2008 is 3.46%

Key Financing Terms

- If the bonds remain outstanding beyond year 2, the interest rate for years 3-10 will be fixed at year 3
- Tier 2: Years 3 - 10 principal amortized on a level basis annually
  - Fixed Spread: 2.25% over the 8-year Index
  - Indicative rate as of March 28, 2008 is 4.45%

2008A Bonds – Projected Fiscal Impact

CC0131

- Years 1 and 2 - Estimated interest only payments based on indicative rates
  - 12/01/2008 $ 1.77 million
  - 06/01/2009 $ 1.77 million
  - 12/01/2010 $ 1.77 million
  - 06/01/2010 $ 1.77 million

  - Total payments over 2 years: $7.2 million

2008A Bonds – Projected Fiscal Impact

C00132

- Tier 2: Estimated principal and interest payments based on indicative rates
  - FY 2011 – FY 2018: $15.5 million

- Total Payments over 10 years

Principal	$102.6 million
Interest	28.6 million
Total	$131.2 million

Date	Principal	Interest	Fiscal Total (P+I)
06/01/2008	-	-	-
12/01/2008	-	1,774,201.50	-
06/01/2009	-	1,774,201.50	3,548,403.00
12/01/2009	-	1,774,201.50	-
06/01/2010	-	1,774,201.50	3,548,403.00
12/01/2010	-	2,281,848.75	-
06/01/2011	10,955,000.00	2,281,848.75	15,518,697.50
12/01/2011	-	2,038,100.00	-
06/01/2012	11,440,000.00	2,038,100.00	15,516,200.00
12/01/2012	-	1,783,560.00	-
06/01/2013	11,950,000.00	1,783,560.00	15,517,120.00
12/01/2013	-	1,517,672.50	-
06/01/2014	12,480,000.00	1,517,672.50	15,515,345.00
12/01/2014	-	1,239,992.50	-
06/01/2015	13,035,000.00	1,239,992.50	15,514,985.00
12/01/2015	-	949,963.75	-
06/01/2016	13,615,000.00	949,963.75	15,514,927.50
12/01/2016	-	647,030.00	-
06/01/2017	14,225,000.00	647,030.00	15,519,060.00
12/01/2017	-	330,523.75	-
06/01/2018	14,855,000.00	330,523.75	15,516,047.50
Total	**$102,555,000.00**	**$28,674,188.50**	**$131,229,188.50**

C00133

Comparative Long Term Public Offering

C00134

- 30 year maturity
  - Issuance Size $109.2 million
    (includes COI, UW discount, DSRF)
  - Average Annual Gross Debt service $7.5 million
  - TIC 5.48%

  - Total repayment

♦ Principal	$109.2 million
♦ Interest	114.9 million
Total	$224 .1 million

Debt Service Coverage

C00135

		FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
General Fund Revenues	[A]	$1,103,967,000	$1,163,600,000	$1,212,800,000	$1,238,300,000	$1,285,700,000	$1,323,100,000
Current General Fund Backed Bond Obligations							
Total Gross Debt Service	[B]	$43,418,870	$43,390,731	$38,735,325	$38,740,383	$35,215,308	$35,210,331
GROSS DEBT SERVICE AS A % OF GENERAL FUND REVENUES	[C = B/A%]	3.93%	3.73%	3.19%	3.13%	2.74%	2.66%
Proposed Additional Bond Obligations - 2008A Bonds							
Additional Debt Service	[D]	--	$ 3,548,403	$ 3,548,403	$ 15,518,698	$ 15,516,200	$ 15,517,120
TOTAL EXISTING AND PROPOSED GROSS DEBT SERVICE	[E=B+D]	$ 43,418,870	$ 46,939,134	$ 42,283,728	$ 54,259,081	$ 50,731,508	$ 50,727,451
GROSS DEBT SERVICE AS A % OF GENERAL FUND REVENUES	[F=E/A%]	3.93%	4.03%	3.49%	4.38%	3.95%	3.83%
Proposed Additional Bond Obligations - 2010 A Bonds - 30 year Lease Revenue Bonds (Public Offering)							
Additional Debt Service	[G]	--	$ 3,548,403	$ 3,548,403	$ 7,500,000	$ 7,500,000	$ 7,500,000
TOTAL EXISTING AND PROPOSED GROSS DEBT SERVICE	[H=B+G]	$ 43,418,870	$ 46,939,134	$ 42,283,728	$ 46,240,383	$ 42,715,308	$ 42,710,331
GROSS DEBT SERVICE AS A % OF GENERAL FUND REVENUES	[I=H/A%]	3.93%	4.03%	3.49%	3.73%	3.32%	3.23%

Debt Service Coverage (contd.)

C00136

		FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
General Fund Revenues	[A]	$1,362,793,000	$1,403,676,790	$1,445,787,094	$1,489,160,707	$1,533,835,528
Current General Fund Backed Bond Obligations						
Total Gross Debt Service	[B]	$35,210,331	$35,210,331	$35,210,331	$35,210,331	$35,210,331
GROSS DEBT SERVICE AS A % OF GENERAL FUND REVENUES	[C = B/A%]	2.58%	2.51%	2.44%	2.36%	2.30%
Proposed Additional Bond Obligations - 2008A Bonds						
Additional Debt Service	[D]	$ 15,515,345	$ 15,514,985	$ 15,514,928	$ 15,519,060	$ 15,516,048
TOTAL EXISTING AND PROPOSED GROSS DEBT SERVICE	[E=B+D]	$ 50,725,676	$ 50,725,316	$ 50,725,259	$ 50,729,391	$ 50,726,379
GROSS DEBT SERVICE AS A % OF GENERAL FUND REVENUES	[F=E/A%]	3.72%	3.61%	3.51%	3.41%	3.31%
Proposed Additional Bond Obligations - 2010 A Bonds - 30 year Lease Revenue Bonds (Public Offering)						
Additional Debt Service	[G]	$ 7,500,000	$ 7,500,000	$ 7,500,000	$ 7,500,000	$ 7,500,000
TOTAL EXISTING AND PROPOSED GROSS DEBT SERVICE	[H=B+G]	$ 42,710,331	$ 42,710,331	$ 42,710,331	$ 42,710,331	$ 42,710,331
GROSS DEBT SERVICE AS A % OF GENERAL FUND REVENUES	[I=H/A%]	3.13%	3.04%	2.95%	2.87%	2.78%

Key Financing Terms

- Maximum effective interest rate established in the authorizing ordinance is 5.45% for the first two year period.
  - At 5.45%, annual debt service (interest only payments) would be approximately $5.6 million in Fiscal Years 2009 and 2010
- Interest rate ceiling when the rate is fixed for years 3-10 is 12%

Properties Pledged

- General Fund properties are leased for the term of the bonds
  - Police Headquarters
  - Rose Canyon Operations Station
  - Mission Valley Library
  - Malcolm X Library
  - Scripps Ranch Library
- Appraisal value of properties encumbered is in the range of $110 - $118 million

Financing Team

- CFO's Office, General Services, and READ
- City Attorney's Office
- Purchaser: Bank of America, N.A.
- Purchaser's Counsel: White & Case LLP
- Bond Counsel: Hawkins Delafield & Wood
- Financial Advisor: Montague DeRose & Associates
- Trustee: Wells Fargo

Sources and Uses

C00140

- Sources:
  - Par amount of the 2008A Bonds $102,552,000
- Uses:
  - Net proceeds $102,250,000
  - Costs of Issuance (estimate) $ 302,000

Costs of Issuance

CC0141

- Costs of Issuance (estimate):

Bond Counsel	$ 75,000
Purchaser's Counsel	45,000
Financial Advisor	42,500
Trustee	3,550
Title Insurance Policy	80,000
Property Appraisals	40,000
CDIAC Fees	3,000
Contingency (approx. 5%)	$ 12,950
Total	$302,000

Financing Timeline – Key Milestones

March 13	DPWG review of financing documents
April 1	Introduction of the Ordinance for the approval of financing documents
April 15	Approval of the Ordinance for the approval of financing documents
April 16	PFFA meeting to approve 2008A Bonds
Week of May 26	Pricing and execution of Bond Purchase Agreement
Week of June 2	Closing and receipt of funds

Requested Council Actions

C00143

City Council Resolution

CC0144

- Reimbursement Resolution declaring the City's intent to use proceeds of indebtedness to reimburse itself if funds are advanced by the City for eligible capital improvement expenditures related to the General Fund Deferred Maintenance funding program

City Council Ordinance

C00145

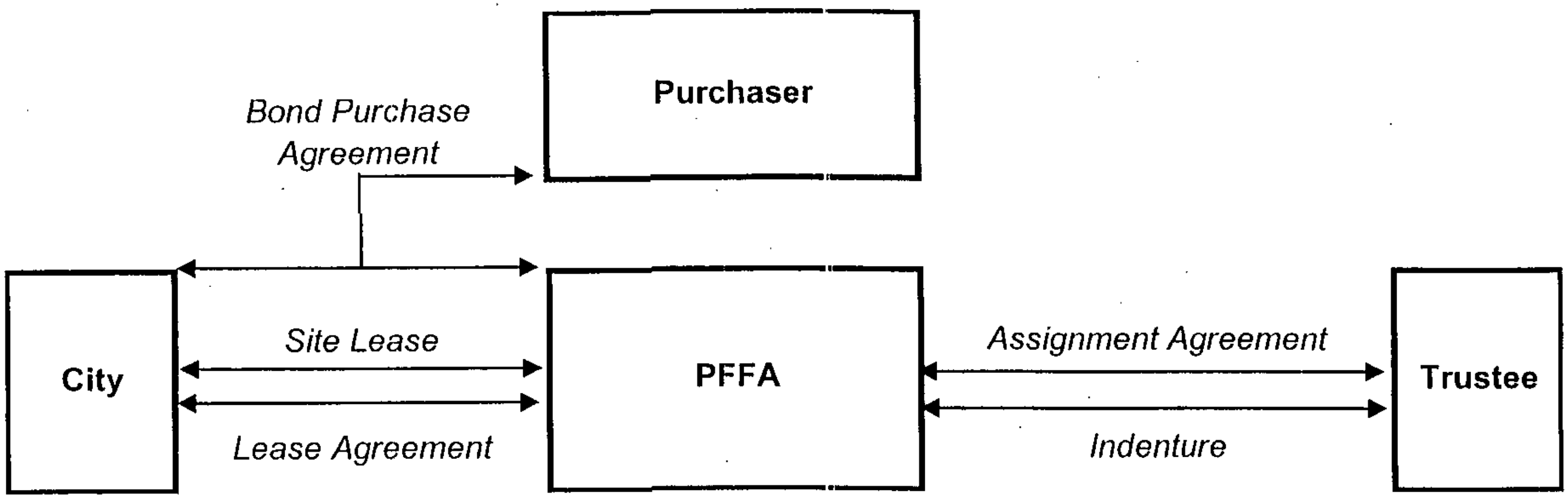
- Authorize the issuance of the Lease Revenue Bonds, Series 2008A in the principal amount not to exceed $108 million and the execution of related financing documents
  - Financing documents include
    - Site Lease
    - Lease Agreement
    - Assignment Lease
    - Bond Purchase Agreement
    - Indenture
- Authorize the form of the Financial Advisory Services Agreement between the City and Montague DeRose and Associates, LLC
- Authorize the City Attorney to appoint Hawkins Delafield and Wood LLP as Bond Counsel

Legal Considerations

C00146

Legal Structure

- Issuing Authority - Public Facilities Financing Authority of the City of San Diego



Financing Documents

000148

- Site Lease
  - Parties: the City and the Authority
  - City leases the pledged assets to the Authority
- Lease Agreement
  - Parties: the City and the Authority
  - The Authority leases back the pledged assets to the City
  - The Authority receives the rental payments from the City which will be equivalent to the debt service payments on the proposed 2008A Bonds
- Assignment Agreement
  - Parties: the Authority and the Trustee
  - The Authority assigns to the Trustee, without recourse, all of its rights to receive lease payments under the Lease Agreement

Financing Documents

000149

- Indenture
  - Parties: the Authority and the Trustee
  - Provides for the issuance of the 2008A Bonds and sets forth terms, including the specific rights, responsibilities, and obligations of each party

- Bond Purchase Agreement
  - Parties: the Purchaser, the City, and the Authority
  - Defines the terms of the 2008A Bonds, purpose of the financing, form of security, and transfer restrictions

Deferred Maintenance Funding
Lease Revenue Bonds, Series 2008 A

City Council Meeting of April 1, 2008
Item # 334

C00151

THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: March 27, 2008 **IBA Report Number:** 08-30

City Council Meeting Date: April 1, 2008

Item Number: 334

General Fund Deferred Maintenance Capital Improvement Projects Financing

OVERVIEW

The City Council is being asked to adopt an ordinance authorizing the issuance of Lease Revenue Bonds, Series 2008A (the "2008A Bonds") in a principal amount not to exceed $108 million. Proceeds from the issuance of 2008A Bonds would finance various General Fund deferred maintenance capital improvement projects and costs associated with issuing the bonds. This report briefly comments on the FY 08 budget plan to finance deferred maintenance projects, the prioritization criteria used to identify deferred maintenance projects, and items related to the proposed 2008A Bonds.

FISCAL/POLICY DISCUSSION

Budget Plan to Finance Needed Deferred Maintenance Projects

The FY 08 Budget estimated the City's deferred maintenance/capital needs, excluding those related to Water and Wastewater enterprises, to be at least $800 to $900 million. This estimate was derived from a 2006 City staff estimate. A detailed update on the actual magnitude of the deferred maintenance problem has yet to be developed. The FY 08 Budget allocated $38.3M to address facility repairs and improvements ($5.3M) and street and storm drain improvements ($33M). Of the $33M budgeted for street and storm drain improvements, 75% or $24.75M was to be financed with the remaining $8.25M to be cash funded.

The City's deferred maintenance/capital needs, excluding those related to water, wastewater and landfill enterprises, is estimated to be at least $800 to $900 million based on a 2006 City staff estimate. A detailed update on the actual magnitude of the deferred maintenance problem has yet to be developed.

Office of Independent Budget Analyst
202 C Street, MS 3A • San Diego, CA 92101
Tel (619) 236-6555 Fax (619) 236-6556

The Mayor's most recent Five-Year Financial Outlook ("Outlook") proposes to allocate $472.3M in bond financing and $308.7M in cash to finance deferred maintenance/capital needs through FY 13 ($80.8M of the cash would be used to pay debt service on the bonds). In FY 09, $77.5M in debt financing and $29.7M in cash, specified within the Outlook, is planned to fund deferred maintenance/capital projects.

Citing limited available cash and an inability to access the public debt market earlier in FY 08, the proposal before the City Council would consolidate planned debt financing for FY 08 ($24.75M) and FY 09 ($77.5M) for a total borrowing of approximately $102.6M, including certain costs associated with issuing debt. The ordinance before the City Council authorizes the sale of up to $108M in 2008A Bonds. Pursuant to City Charter Section 99, the proposed ordinance requires six votes of the City Council for adoption.

Identified Deferred Maintenance Projects

The FY 08 Budget planned to finance $24.75M for street and storm drain improvements in FY 08 and the Outlook committed to financing another $77.5M in FY 09 that would also address City facilities. Attachment A of the Report to the City Council #08-042 lists all of the deferred maintenance projects to be debt financed in FY 08 and FY 09. The IBA has been informed that most of these projects have yet to be bid and will not be completed until FY 10.

In reviewing the FY 08 Budget with respect to deferred maintenance financing, the IBA was unable to determine how specific deferred maintenance projects were identified, given the extensive project backlog and limited funding. The City Council subsequently supported an IBA recommendation, generated during a review of the City's new Debt Policy, that a Capital Improvement Project (CIP) prioritization policy be developed. A CIP prioritization policy has since been developed and presented to the Budget and Finance Committee twice for review. The CIP prioritization policy will be forwarded to the City Council for final consideration this summer; however, the policy was not ready for use in identifying deferred maintenance projects to be funded with the 2008A Bonds.

Lacking a CIP prioritization policy, the Deputy Chief of Public Works and the General Services Department Director explained their selection criteria to the IBA for the various categories of deferred maintenance projects listed below. We have listed the deferred maintenance projects from Attachment A and noted the utilized selection criteria:

STREET AND STORM DRAINS ($77.25M)

Project Category	**Selection Criteria Utilized**
Street Projects **$53.5 M**	Condition Assessments (every 2-3 years) Pavement Management System Maintenance History

Project Category	Selection Criteria Utilized
Sidewalk/Concrete Projects **$9.55M**	Maintenance Records Public Work Requests
Storm Drain Projects **$14.2M**	Known Problem Areas (i.e., flooding) Maintenance History Exceeded Life Expectancy Potential Liability for Property Damage
FACILITIES ($25M)	**(Emphasis on Public Safety Facilities)**
Roofing **$3.925M**	Phase I Condition Assessment of 31 facilities Maintenance History Customer Input/Feedback
Public Safety Facilities **$8.6M**	General Services worked jointly with E&CP to identify these as high priority projects. Phase I Condition Assessment of 31 facilities Maintenance History
Parking Lot Resurfacing (Overlay) **$4.53M**	Maintenance History Customer Input/Feedback Work with P&R to identify priority lots
HVAC Projects **$3.25M**	Maintenance History Exceeded Life Expectancy
Plumbing **$1.36M**	Maintenance History Exceeded Life Expectancy
Electrical Projects **$.95M**	Maintenance History Exceeded Life Expectancy
Elevator Modernization Projects **$1.385M**	Maintenance History Entrapments Service Contract Feedback
Windows /Doors **$1.0M**	Customer Input/Feedback

The Deputy Chief of Public Works has indicated that the intent will be to use the proceeds of the 2008A Bonds to complete those projects identified in Attachment A; however, there is no bond document requirement to construct these specific projects and management retains the ability to substitute other projects should circumstances dictate that a higher priority needs to be addressed. **The IBA recommends that the City Council be updated on a semi-annual basis on the status of funded projects and of any project substitutions.**

2008A Bonds

As discussed in the staff report, the Public Facilities Financing Authority of the City of San Diego ("Authority) would issue the proposed 2008A Bonds. The 2008A Bonds have a 10 year maturity and would be privately placed with Bank of America, N.A. The contemplated borrowing is a lease-purchase financing whereby a lease is created between the City and the Authority. The City leases five General Fund assets/facilities to the Authority for a nominal rent of $1 and the Authority subsequently leases back those same facilities to the City, at a rate sufficient to cover the debt service on the 2008A Bonds. The City has used asset transfers to facilitate previous General Fund lease financings (see Attachment 1 to the staff Report #08-041).

The IBA inquired as to how the identified General Fund assets/facilities were selected for this financing. We were informed that the Debt Management Department worked with the Real Estate Assets Department to select approximately $111M of General Fund assets from a total suitable asset pool of approximately $350M in order to facilitate the lease purchase transaction with the borrower. The five selected General Fund assets are Police Headquarters, Rose Canyon Operations Station, Mission Valley Library, Malcolm X Library and Scripps Ranch Library. Each of the five assets was recently appraised and does not carry other encumbrances.

Interest only payments of approximately $3.5 million will be made on the 2008A Bonds for the first two years on a semi-annual basis. These interest payments will be made by the General Fund. The interest expense was incorporated into the Mayor's Outlook and will be included in the FY 09 budget.

The 2008A Bonds have been structured with two-tiered pricing that establishes a fixed rate for the first two years (estimated to be approximately 3.46%) and, if necessary, resets the fixed rate for years 3 through 10 at 2.25% above a specified Bank of America cost of funds rate. If the fixed rate for years 3 through 10 were to have been reset earlier this month, it would have been approximately 4.45%. The current financing plan calls for refunding the 2008A Bonds with a 30-year public offering at the end of the initial two-year term. If the long-term refunding plan is executed as planned, pricing terms for years 3 through 10 will be inconsequential.

In keeping with the plan to refund at the end of the second year, the 2008A Bonds are callable two years after the anticipated bond closing in June 2008. As structured, the 2008A Bonds cannot be called before June 2010. **If, however, long-term rates in the public markets were to go lower during the two year period, the IBA recommends that the Debt Management Department monitor the feasibility of an advance refunding.**

An advance refunding could allow the City to take advantage of lower long-term fixed interest rates in the near future without an earlier call feature on the 2008A Bonds. The City may be able to reenter the public markets as soon as this summer. Long-term interest rates are relatively low and may trend lower. If so, an advance refunding could enable the City to lock-in low, long-term fixed rates and potentially significant interest savings in the event that interest rates were forecasted to rise as we approach June 2010.

CONCLUSION

Given an urgent need for the City to begin addressing the significant backlog of deferred maintenance projects, the IBA recommends support of the proposed 2008A Bonds. We remain concerned, however, that without a detailed, quantified and prioritized inventory of current deferred maintenance needs, it is difficult to understand what progress is being made in reducing the citywide problem. It also makes it challenging to effectively plan to address the highest priority projects. We further note the related importance of 1) funding routine maintenance for all public infrastructure and 2) the impact that rising construction and materials costs could have on the total cost of addressing citywide deferred maintenance.

The proposed 2008A Bonds are effectively a two-year financing with a firm obligation to refund or re-price the debt in June of 2010. Because of the uncertainty of interest rate levels two years from now and the City's inability to call the bonds before that time, there is some interest rate risk associated with the subsequent re-pricing (fixed long-term interest rates could be better or worse than current rates). The IBA recommends that the Debt Management Department monitor long-term fixed interest rates and evaluate the feasibility of an advance refunding, to potentially achieve long-term interest savings, if interest rates move significantly lower in the near term or if future rates are forecasted to rise.

Additionally, the IBA recommends that the City Council be updated on a semi-annual basis regarding the construction status of the identified facilities. This will ensure that the City Council is periodically apprised of any project substitutions and how bonds proceeds are being expended.

The Office of the City Attorney will issue a useful due diligence and disclosure obligation memorandum related to the 2008A Bonds on March 28, 2008. In addition to

000156

The due diligence and disclosure obligation memorandum issued by the Office of the City Attorney briefly describes the bond financing documents and provides useful questions and answers for the City Council to consider. The IBA encourages the City Council to ask any questions they might have directly to members of the City's financing team including the City's financial advisor, bond counsel and even the purchaser of the 2008A Bonds (Bank of America).

providing guidance to the City Council regarding due diligence obligations under federal securities laws, the memorandum briefly describes the bond financing documents and provides useful questions and answers for the City Council to consider. A certification by the Disclosure Practices Working Group has also been attached indicating that financial information disclosed in the 2008A Bonds has been reviewed to ensure accuracy.

The IBA has been informed that representatives of the entire financing team will be present for the City Council meeting on April 1, 2008. The IBA encourages the City Council to ask any questions they might have directly to members of the City's financing team including the City's financial advisor, bond counsel and even the purchaser of the 2008A Bonds (Bank of America). The availability of financing consultants to the City Council at or before City Council meetings where approval is sought for debt is a recommendation within the comprehensive financial training program adopted by the City Council on December 6, 2006.

Jeff Kawar
Fiscal & Policy Analyst

APPROVED: Andrea Tevlin
Independent Budget Analyst

DOCKET SUPPORTING INFORMATION
CITY OF SAN DIEGO
EQUAL OPPORTUNITY CONTRACTING PROGRAM EVALUATION

DATE: March 12, 2008

SUBJECT: General Fund Deferred Maintenance Capital Improvement Projects Financing

GENERAL CONTRACT INFORMATION

Recommended Consultant:	**Montague DeRose and Associates, LLC**
This Action:	$42,500
Funding Source:	City

Recommended Consultant:	**Hawkins Delafield and Wood, LLP**
This Action:	$75,000
Funding Source:	City

Montague, DeRose and Associates, LLC

SUBCONSULTANT PARTICIPATION
No sub consultant participation on this action

EQUAL EMPLOYMENT OPPORTUNITY COMPLIANCE
Equal Opportunity Required.

Montague, DeRose and Associates, LLC submitted a Work Force Report for their Los Angeles County employees dated October 18, 2007. The Work Force Report reflects fewer than 15 employees and is, therefore, exempt from employment category goals.

Hawkins Delafield and Wood, LLP

SUBCONSULTANT PARTICIPATION
No sub consultant participation on this action

EQUAL EMPLOYMENT OPPORTUNITY COMPLIANCE
Equal Opportunity Required.

Hawkins Delafield and Wood, LLP submitted a Work Force Report for their Los Angeles County employees dated November 15, 2007 with a total of 141 employees. The firms Work Force Analysis reflects under representations in the following categories:

Hispanics in Professional
Asians in Administrative Support
Filipinos in Professional, Administrative Support
Females in Professional

EOC has requested, received and approved and EO Plan from Hawkins Delafield and Wood, LLP. Staff will continue to monitor the firm's efforts to implement their plans.

ADDITIONAL COMMENTS
The *Work Force Analysis* are attached.

JLR

000158

File: Admin WOFO 2000

Date WOFO Submitted: 11/12/2007

Input by: jlr

Goals reflect statistical labor force availability for the following: 2000 CLFA
San Diego, CA

City of San Diego/Equal Opportunity Contracting

WORK FORCE ANALYSIS REPORT

FOR

Company: *Hawkins Delafield and Wood, LLP*

I. TOTAL WORK FORCE:

	CLFA	Black		CLFA	Hispanic		CLFA	Asian		CLFA	American Indian		CLFA	Filipino		White		Other	
	Goals	M	F	Goals	M	F	Goals	M	F	Goals	M	F	Goals	M	F	M	F	M	F
Mgmt & Financial	3.3%	0	0	11.9%	0	0	6.2%	1	0	0.4%	0	0	6.2%	0	0	2	4	0	0
Professional	4 0%	4	3	12.6%	3	0	6.5%	3	7	0.5%	0	0	6.5%	0	0	15	19	0	1
A&E, Science, Computer	2.8%	0	0	7.3%	0	0	16.2%	0	0	0.3%	0	0	16.2%	0	0	0	0	0	0
Technical	6.6%	0	0	14.8%	0	0	17.2%	0	0	0.4%	0	0	17.2%	0	0	0	0	0	0
Sales	3.9%	0	0	19.5%	0	0	6.8%	0	0	0.6%	0	0	6.8%	0	0	0	0	0	0
Administrative Support	7.0%	4	13	20.8%	2	16	8 8%	1	3	0.6%	0	0	8 8%	0	0	8	31	0	1
Services	5.5%	0	0	38.9%	0	0	9.7%	0	0	0.6%	0	0	9.7%	0	0	0	0	0	0
Crafts	4.5%	0	0	25.8%	0	0	9.1%	0	0	0.7%	0	0	9.1%	0	0	0	0	0	0
Operative Workers	4.3%	0	0	38.8%	0	0	20.8%	0	0	0.3%	0	0	20.8%	0	0	0	0	0	0
Transportation	8.1%	0	0	32.1%	0	0	4 5%	0	0	0.5%	0	0	4.5%	0	0	0	0	0	0
Laborers	4.4%	0	0	54.0%	0	0	4.1%	0	0	0.5%	0	0	4.1%	0	0	0	0	0	0
TOTAL		8	16		5	16		5	10		0	0		0	0	25	54	0	2

HOW TO READ TOTAL WORK FORCE SECTION:

The information blocks in Section 1 (Total Work Force) identify the absolute number of the firm's employees. Each employee is listed in their respective ethnic/gender and employment category. The percentages listed under the heading of "CLFA Goals" are the County Labor Force Availability goals for each employment and ethnic/gender category.

	TOTAL EMPLOYEES			Female
	ALL	M	F	Goals
Mgmt & Financial	7	3	4	39.8%
Professional	55	25	30	59.5%
A&E, Science, Computer	0	0	0	22.3%
Technical	0	0	0	49.0%
Sales	0	0	0	49.4%
Administrative Support	79	15	64	73 2%
Services	0	0	0	62.3%
Crafts	0	0	0	8.6%
Operative Workers	0	0	0	38.7%
Transportation	0	0	0	15.2%
Laborers	0	0	0	11.1%
TOTAL	141	43	98	

HOW TO READ EMPLOYMENT ANALYSIS SECTION:

The percentages listed in the goals column are calculated by multiplying the CLFA goals by the number of employees in that job category. The number in that column represents the percentage of each protected group that should be employed by the firm to meet the CLFA goal. A negative number will be shown in the discrepancy column for each underrepresented goal of at least 1.00 position.

II. EMPLOYMENT ANALYSIS

	Black			Hispanic			Asian			American Indian			Filipino			Female		
	Goals	Actual	*Discrepanc*	Goals	Actual	*Discrepanc*	Goals	Actual	*Discrepanc*	Goals	Actual	*Discrepanc*	Goals	Actual	*Discrepan*	Goals	Actual	*Discrepancy*
Mgmt & Financial	0.23	0	N/A	0.83	0	N/A	0.43	1	N/A	0.03	0	N/A	0.43	0	N/A	2.79	4	1.21
Professional	2.20	7	4.80	6.93	3	(3.93)	3.58	10	6.43	0 28	0	N/A	3.58	0	(3.58)	32.73	30	(2.73)
A&E, Science, Computer	0.00	0	0.00	0.00	0	0.00	0 00	0	0.00	0.00	0	0.00	0.00	0	0.00	0 00	0	0.00
Technical	0.00	0	0.00	0.00	0	0.00	0 00	0	0 00	0.00	0	0 00	0.00	0	0 00	0.00	0	0.00
Sales	0.00	0	0.00	0.00	0	0.00	0.00	0	0 00	0.00	0	0 00	0.00	0	0.00	0.00	0	0.00
Administrative Support	5 53	17	11.47	16 43	18	1.57	6.95	4	(2.95)	0.47	0	N/A	6.95	0	(6.95)	57.83	64	6.17
Services	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00
Crafts	0 00	0	0.00	0 00	0	0.00	0.00	0	0 00	0.00	0	0 00	0 00	0	0.00	0.00	0	0 00
Operative Workers	0 00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0 00	0.00	0	0.00	0.00	0	0.00
Transportation	0.00	0	0.00	0 00	0	0.00	0 00	0	0.00	0.00	0	0 00	0.00	0	0 00	0.00	0	0.00
Laborers	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00

Goals are set by job categories for each protected group. An underrepresentation is indicated by a negative number, but if the DISCREPANCY is less than -1.00 position, a N/A will be displayed to show there is no underrepresentation.

File: Admin WOFO 2000

Date WOFO Submitted: 10/16/2007

Input by: SH

Goals reflect statistical labor force availability for the following: 2000 CLFA

Los Angeles County, CA

City of San Diego/Equal Opportunity Contracting

WORK FORCE ANALYSIS REPORT

FOR

Company: *Montague DeRose And Associates, LLC*

I. TOTAL WORK FORCE:

	CLFA Goals	Black		CLFA Goals	Hispanic		CLFA Goals	Asian		CLFA Goals	American Indian		CLFA Goals	Filipino		White		Other	
		M	F		M	F		M	F		M	F		M	F	M	F	M	F
Mgmt & Financial	7.3%	0	0	18.7%	1	0	14.9%	0	0	0.3%	0	0	14.9%	0	0	1	1	0	0
Professional	8.9%	0	0	16.5%	0	0	12.3%	1	0	0.3%	0	0	12.3%	0	0	2	0	0	0
A&E, Science, Computer	8.0%	0	0	10.5%	0	0	26.1%	0	0	0.2%	0	0	26.1%	0	0	0	0	0	0
Technical	12.2%	0	0	24.7%	0	0	20.6%	0	0	0.3%	0	0	20.6%	0	0	0	0	0	0
Sales	7.3%	0	0	33.7%	0	0	14.6%	0	0	0.3%	0	0	14.6%	0	0	0	0	0	0
Administrative Support	13.1%	0	1	36.0%	0	0	12.8%	0	0	0.3%	0	0	12.6%	0	0	0	2	0	0
Services	9.5%	0	0	54.2%	0	0	11.1%	0	0	0.2%	0	0	11.1%	0	0	0	0	0	0
Crafts	6.1%	0	0	49.1%	0	0	10.5%	0	0	0.3%	0	0	10.5%	0	0	0	0	0	0
Operative Workers	3.2%	0	0	73.3%	0	0	10.2%	0	0	0.1%	0	0	10.2%	0	0	0	0	0	0
Transportation	11.2%	0	0	61.1%	0	0	4.7%	0	0	0.4%	0	0	4.7%	0	0	0	0	0	0
Laborers	7.1%	0	0	69.8%	0	0	4.4%	0	0	0.3%	0	0	4.4%	0	0	0	0	0	0
TOTAL		0	1		1	0		1	0		0	0		0	0	3	3	0	0

HOW TO READ TOTAL WORK FORCE SECTION:

The information blocks in Section 1 (Total Work Force) identify the absolute number of the firm's employees. Each employee is listed in their respective ethnic/gender and employment category. The percentages listed under the heading of "CLFA Goals" are the County Labor Force Availability goals for each employment and ethnic/gender category.

	TOTAL EMPLOYEES ALL	M	F	Female Goals
Mgmt & Financial	3	2	1	40.7%
Professional	3	3	0	53.9%
A&E, Science, Computer	0	0	0	22.3%
Technical	0	0	0	48.9%
Sales	0	0	0	47.5%
Administrative Support	3	0	3	69.6%
Services	0	0	0	60.6%
Crafts	0	0	0	9.2%
Operative Workers	0	0	0	37.7%
Transportation	0	0	0	16.0%
Laborers	0	0	0	11.8%
TOTAL	6	5	4	

HOW TO READ EMPLOYMENT ANALYSIS SECTION:

The percentages listed in the goals column are calculated by multiplying the CLFA goals by the number of employees in that job category. The number in that column represents the percentage of each protected group that should be employed by the firm to meet the CLFA goal. A negative number will be shown in the discrepancy column for each underrepresented goal of at least 1.00 position.

II. EMPLOYMENT ANALYSIS

This firm has fewer than 15 employees and is, therefore, exempt from the employment category goals.