



COUNTY OF SAN DIEGO

Credit Overview

San Diego Regional Building Authority
Lease Revenue Refunding Bonds
(County Operations Center), Series 2016A

County Team

PRESENTERS

- Don Steuer, *Assistant Chief Administrative Officer / Chief Operating Officer*
- Tracy Sandoval, *Deputy Chief Administrative Officer / Auditor & Controller*
- Dan McAllister, *Treasurer-Tax Collector*
- April Heinze, *Acting Deputy Chief Administrative Officer / Director, General Services*
- Joan Pan, *Debt Finance Manager*

ADDITIONAL RESOURCES

- Antoinette Chandler, *Chief Deputy Treasurer*
- Brian Ruehle, *Deputy Controller*
- Ebony Shelton, *Financial Policy and Planning Director*
- Damien Quinn, *Finance and General Government Group Finance Director*
- Tom Fincher, *Chief, Strategic Planning, General Services*
- Rob Castetter, *Chief Investment Officer*
- Michele Crichlow, *Debt and Capital Finance Officer*
- Nicole Temple, *Financial Policy and Planning Officer*
- Michelle Issa, *Public Resources Advisory Group, County Financial Advisor*

Outline

1	Strong Fiscal Management at the County of San Diego
2	Diverse and Stable Regional Economy
3	Strong Financial Performance
4	Retirement Update
5	Lease Revenue Refunding Bonds (County Operations Center), Series 2016A
6	Conclusion



Strong Fiscal Management at the County of San Diego



Strong Fiscal Management is a Fundamental Credit Strength

- County has an established commitment to fiscal discipline while maintaining operational excellence
- Very strong reserves and cash balances
- Capital projects funded through pay-go and limited debt issuance
 - Current five year Capital Improvement Needs Assessment includes \$407 million for 25 active projects, only one of which uses debt financing
- Early payment of debt whenever possible
 - Prepayment of \$9.9 million of 2005 North and East Justice Facilities Refunding Certificates of Participation in November 2015 reduced annual debt service by \$2.7 million
- Ongoing analysis and active management of pension and OPEB obligations with a long-term view
- Strong institutionalized financial management reflects the County's commitment to maintaining its "legacy of fiscal stability"

Institutionalized Financial Policies

- Good Government Package
 - On December 15, 2015, the Board strengthened its policies and practices regarding long-term financial planning and management
 - Board Policy B-65: Management of long-term financial obligations expanded to provide guidance on all long-term financial planning activities
 - Board Policy B-71: Management of fund balance and reserves approved as an Ordinance

- Other County Policies
 - Use of one-time revenues for one-time purposes only
 - Capital Facilities and Space Planning, Use of Capital Program Funds
 - Debt Advisory Committee, Post-issuance compliance, refunding, and swap policies
 - Risk Overview Committee, Disclosure controls and procedures
 - Treasury Oversight Committee, Investment Policy, Investment Manual

Disciplined Financial Practices

Ongoing financial planning procedures promote long-term credit strength

- Five-Year Financial Forecast
- Five-Year Capital Improvement Needs Assessment
- Two-Year Operational Plan
- Quarterly Status Reports and Cash Flows

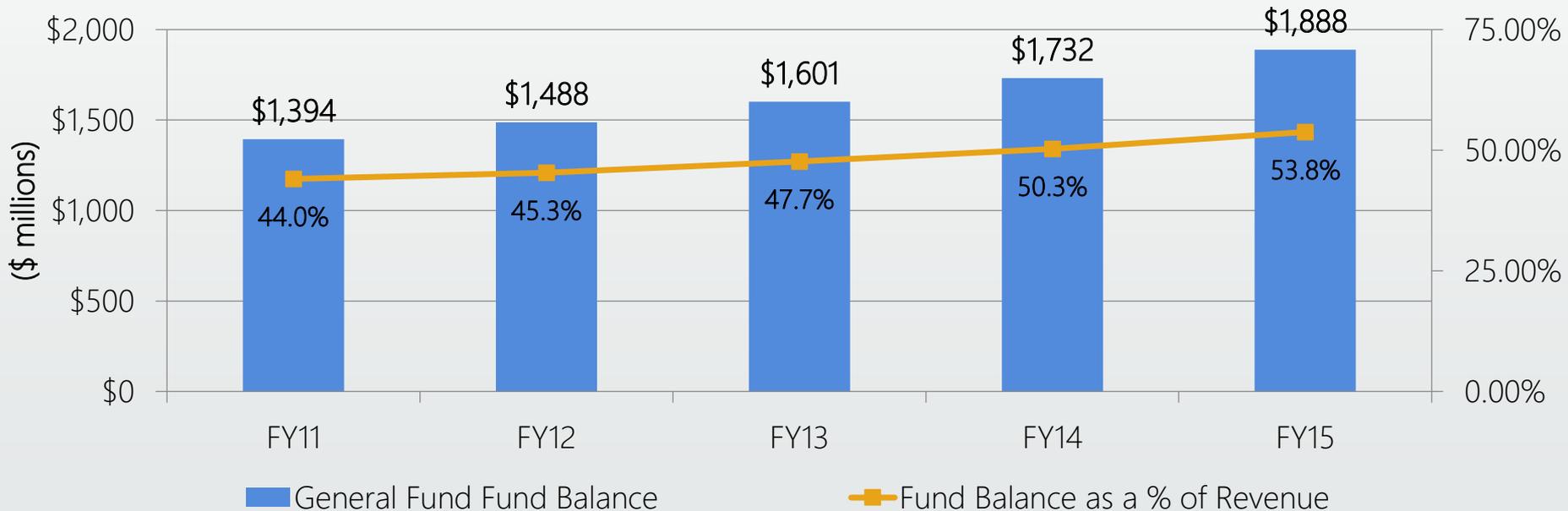
Recognition of outstanding financial and operational practices

- State Controller's Award for Achieving Excellence in Financial Reporting
- GFOA Certificate of Achievement for Excellence in Financial Reporting for both County and Investment Pool CAFR
- GFOA Distinguished Budget Presentation Award
- 43 National Association of Counties Awards for 2015
- 2015 Design Build Institute of America National Award of Excellence for the Waterfront Park
- San Diego County Taxpayers Association Grand Golden Watchdog Award

General Fund Balances Consistently High

- Over the past five years, General Fund balance has grown 35.4%
- Fiscal Year 2014-15 General Fund balance was over 53% of General Fund revenues

County of San Diego
General Fund Balance as a % of Revenues



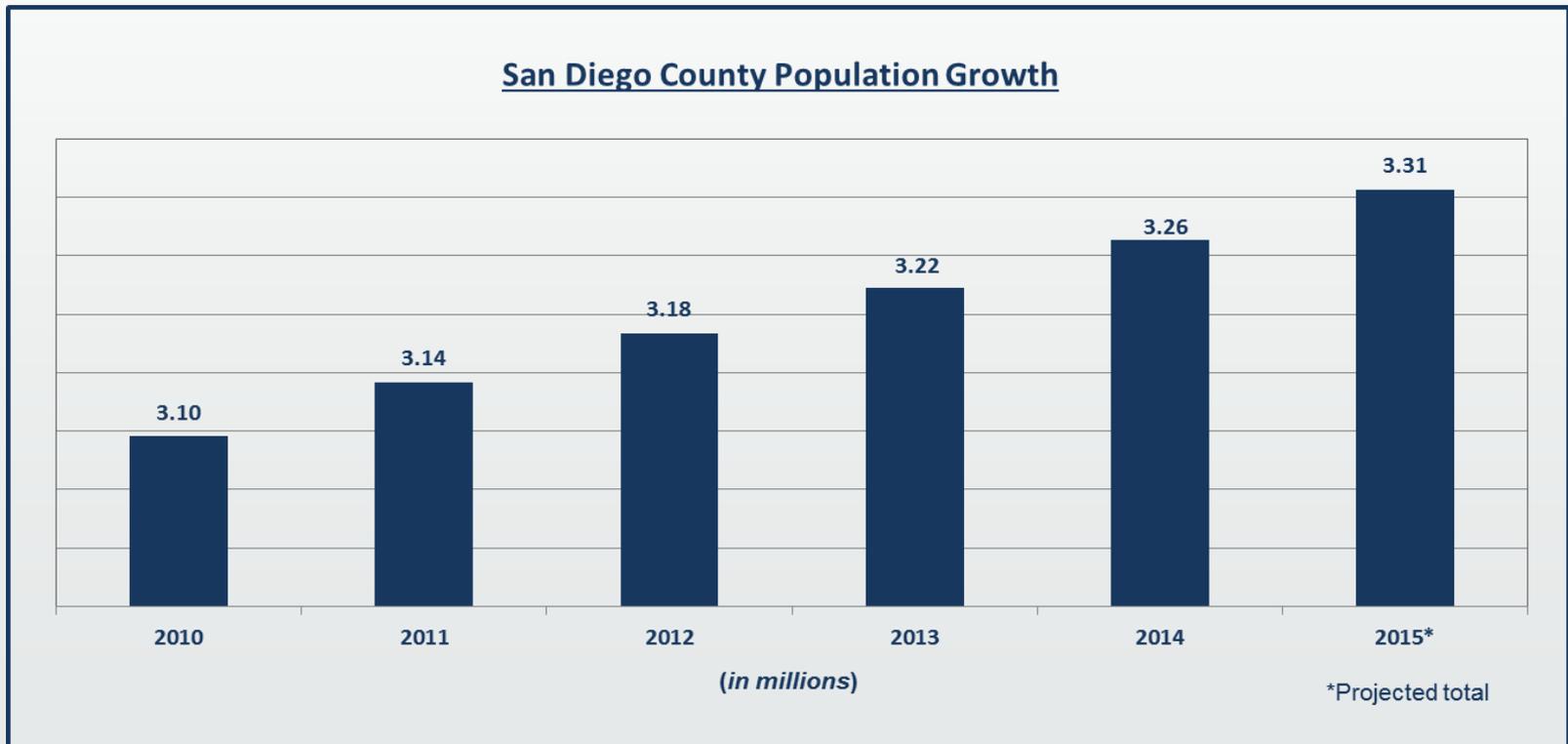


Diverse and Stable Regional Economy



Growing Population

- San Diego County's population has grown 6.8% between 2010 and 2015, following an upward trend from 3.1 million in 2010 to a projected 3.31 million in 2015¹



Source: (1) U.S. Bureau of Labor Statistics

Employment Outlook



- In November 2015, San Diego's unemployment rate of 4.8% was below the State's rate of 5.7% and the national rate of 5.0%¹
- The region had the 6th highest employment growth rate (3.56%) in the U.S. from July 2014 to July 2015, adding 47,800 jobs (43,500 in private sector)²

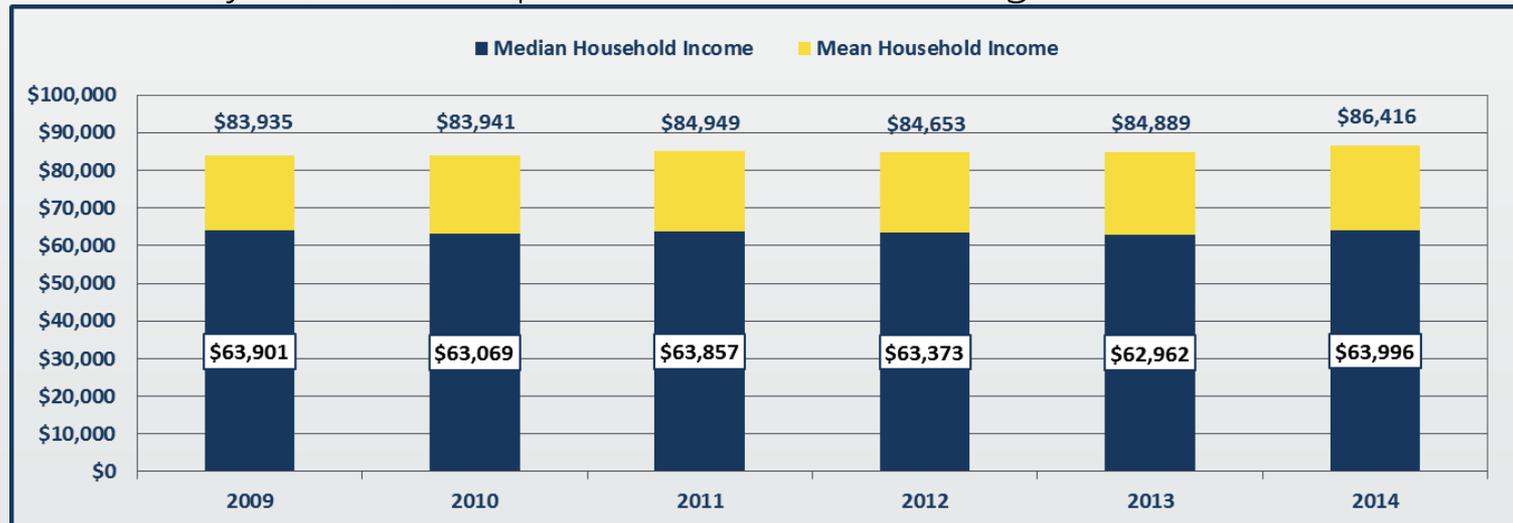
Top San Diego Employers

San Diego is home to a diverse group of world class institutions, corporations, and recreational facilities



Regional Economic Development

- In 2014, the median household income was \$63,996, a 1.5% increase from \$63,069 in 2010. Median Income for nonfamily households also grew 0.52% from \$43,022 in 2010 to \$43,245 in 2014¹
- San Diego's median single family home price for November 2015 is \$554,440, a 12.8% increase year-over-year²
- Foreclosures in San Diego have remained much lower than the U.S. average at 1.61 homes for every 10,000, compared to the U.S. average of 4.01³



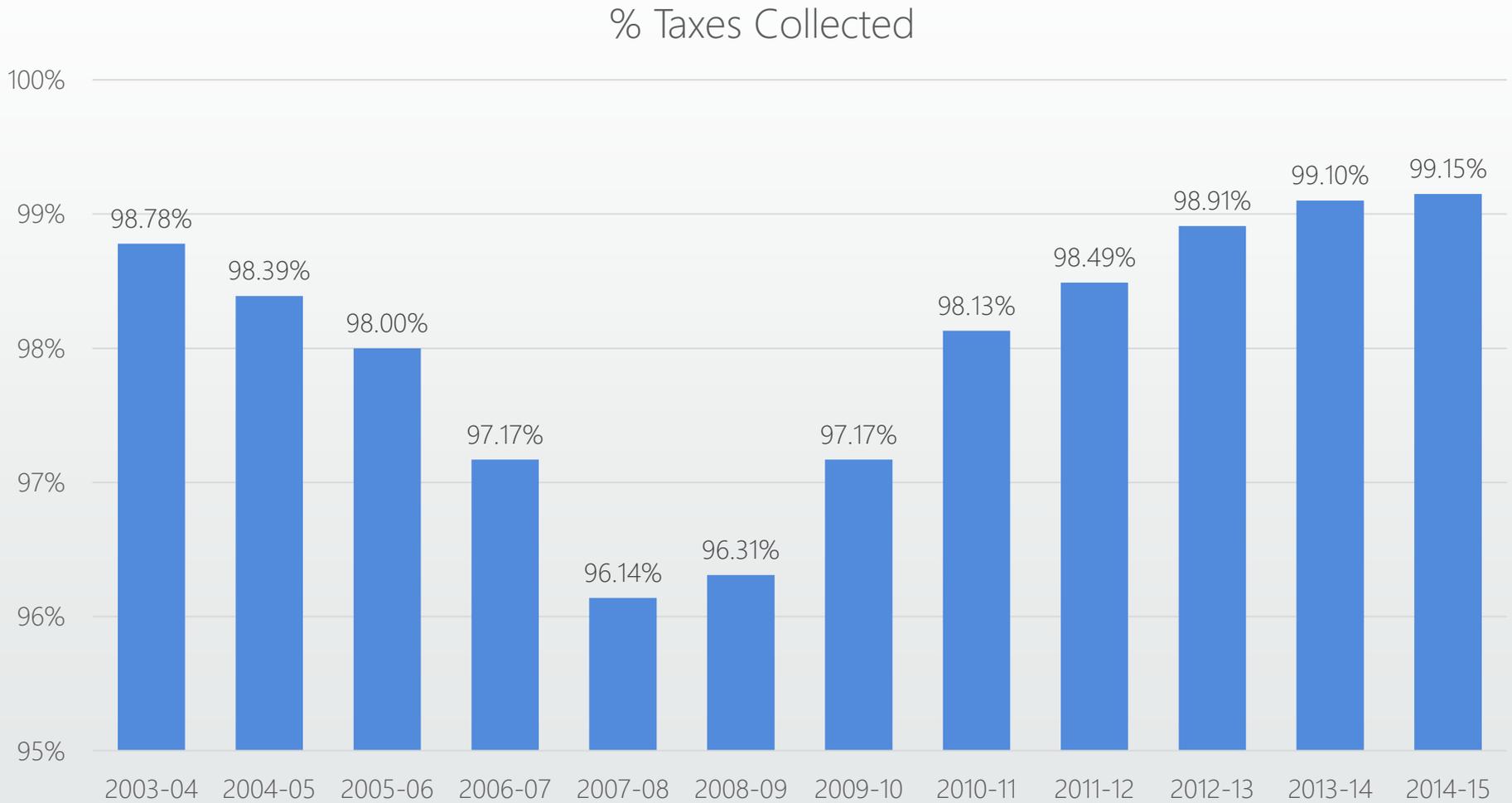
Positive Economic Outlook

University of San Diego's Index of Leading Economic Indicators (LEI) incorporates the national economy and the following in San Diego County: building permits, initial unemployment claims, the San Diego Stock Exchange Index, consumer confidence and help wanted advertising

- The LEI declined 1.7% in 3Q 2015 (+ 1.1% in 3Q 2014)
 - Despite the decline, consumer confidence increased for the second month in a row in October 2015 by 0.44% and the rate of decline in the LEI has shown signs of slowing



Secured Tax Collection





Strong Financial Performance



FY 2015-16 Financial Highlights

- Successful labor negotiations with 6 unions through Fiscal Year 2017-18
 - Includes phased elimination of employer offset of employee retirement costs and one-time monetary payments to employees
- Total budget \$5.41 billion; increase of 6.5% or \$330.5 million from Fiscal Year 2014-15
 - Assumes no General Fund growth from redevelopment dissolution
- Cash funded capital program (combination of one-time and ongoing revenues), major projects include:
 - \$54.9 million for the Sheriff's Crime Lab
 - \$50.6 million for the Regional Communications System Upgrade and Site Acquisition
 - \$10.0 million for the Multiple Species Conservation Program (MSCP)
 - \$16.4 million for various County park improvements
- AV growth budgeted at 4.0% with actual growth at 5.6%
- \$1.1 billion General Purpose Revenue, increase of 5.1% or \$52.8 million from Fiscal Year 2014-15
- \$198.7 million of fund balance assigned to fund one-time projects

History of Strong Financial Performance

(in millions)	FY 2011-12	FY 2012-13 ⁽²⁾	FY 2013-14	FY 2014-15
Projected Year-End Unassigned Fund Balance ⁽¹⁾	\$582.2	\$600.4	\$683.6	\$720.3
Actual Year-End Unassigned Fund Balance	\$663.1	\$644.5	\$713.0	\$798.1
Difference	\$80.9	\$44.1	\$29.4	\$77.8

(1) As of third quarter for all years

(2) GASB classification of fund balance included as a budgetary resource in the subsequent year's budget reflected as Assigned Fund Balance beginning in 2013

General Fund FY 2015-16 Status Update

First Quarter Status Update (in millions)

Unassigned Fund Balance as of June 30, 2015	\$798.1
Less: Subsequent Uses Approved by Board of Supervisors	(7.3)
First Quarter Projection of FY 2015-16 Budgetary Fund Balance	108.2
Projected Unassigned Fund Balance for June 30, 2016⁽¹⁾	\$899.0

(1) Unassigned fund balance includes the \$100 million economic uncertainty reserve; does not reflect amounts to be included as a subsequent year budget resource

General Fund Balance Continues to Grow

Fund Balance	FY 2011-12		FY 2012-13		FY 2013-14		FY 2014-15	
	\$ million	% of FB						
Nonspendable	\$12.5	0.8%	\$12.3	0.8%	\$12.3	0.7%	\$13.4	0.7%
Restricted	245.7	16.5%	295.3	18.4%	296.5	17.1%	269.3	14.3%
Committed	515.2	34.6%	464.8	29.0%	492.2	28.4%	479.0	25.4%
Assigned ⁽¹⁾	51.3	3.5%	184.5	11.5%	217.6	12.6%	328.6	17.4%
Unassigned ⁽²⁾	663.1	44.6%	644.5	40.3%	713.1	41.2%	798.1	42.2%
TOTAL	\$1,487.8		\$1,601.4		\$1,731.7		\$1,888.4	

(1) GASB classification of fund balance included as a budgetary resource in the subsequent year's budget reflected as Assigned Fund Balance beginning in 2013. For fiscal year ended 2012, the amount of fund balance to be used for subsequent one-time expenditures was \$112,912, and is included in Unassigned fund balance

(2) Unassigned fund balance includes the \$100 million economic uncertainty reserve

Looking Ahead to FY 2016-17

- Assessed valuation anticipated to grow 3%
- Governor's January budget
- Retirement and Other Post Employment Benefits



Retirement Update



SDCERA Update

- New Executive Team
 - David Wescoe, Chief Executive Officer
 - Greg Bych, Chief Financial Officer
 - Stephen C. Sexauer, Chief Investment Officer
 - Elaine Regan, Chief Legal Officer

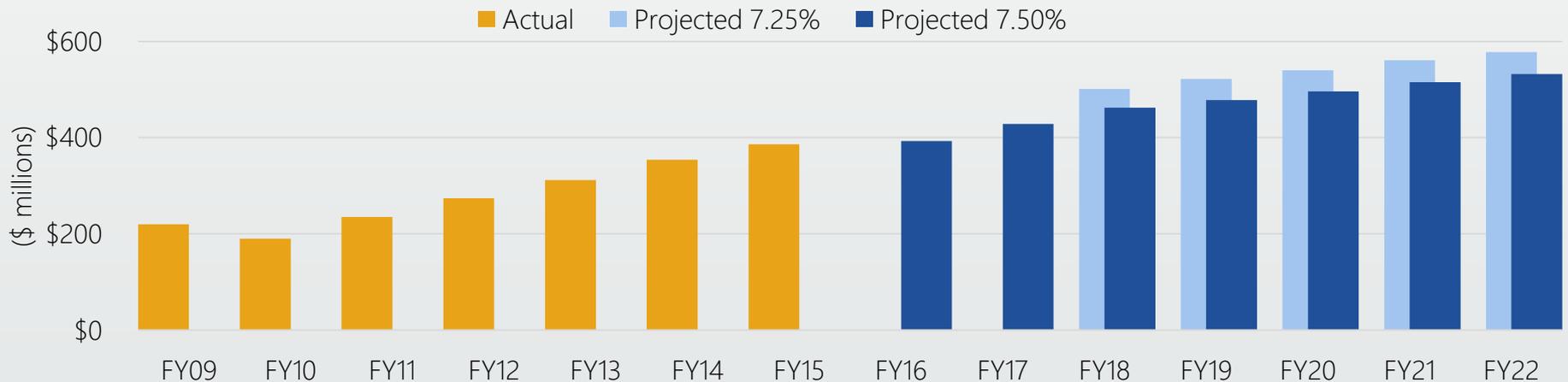
- Investment Management
 - Association Board transitioned to internal investment management of the SDCERA Portfolio in 2015
 - Association Board reviewed and revised the asset allocation plan and Investment Policy Statement in November 2015
 - Elimination of the use of total portfolio leverage and the use of Risk Parity as a core investment strategy
 - Introduction of the use of low-cost index funds

- Ongoing active review of the Assumed Rate of Return within the context of these changes
 - The next experience study, which will provide demographic and economic assumptions, will be conducted in 2016

Employer Contributions

- County has exceeded annual required contributions to retirement obligations
 - \$135.6 million in the past 10 years
 - Prepayment of \$264 million of pension obligation bonds
- Active monitoring of SDCERA actions that will impact County contributions
 - Assumed rate of return lowered from 7.75% to 7.50% in September 2015
 - Next triennial experience study to be presented to SDCERA Board in 2016 with information through June 30, 2015

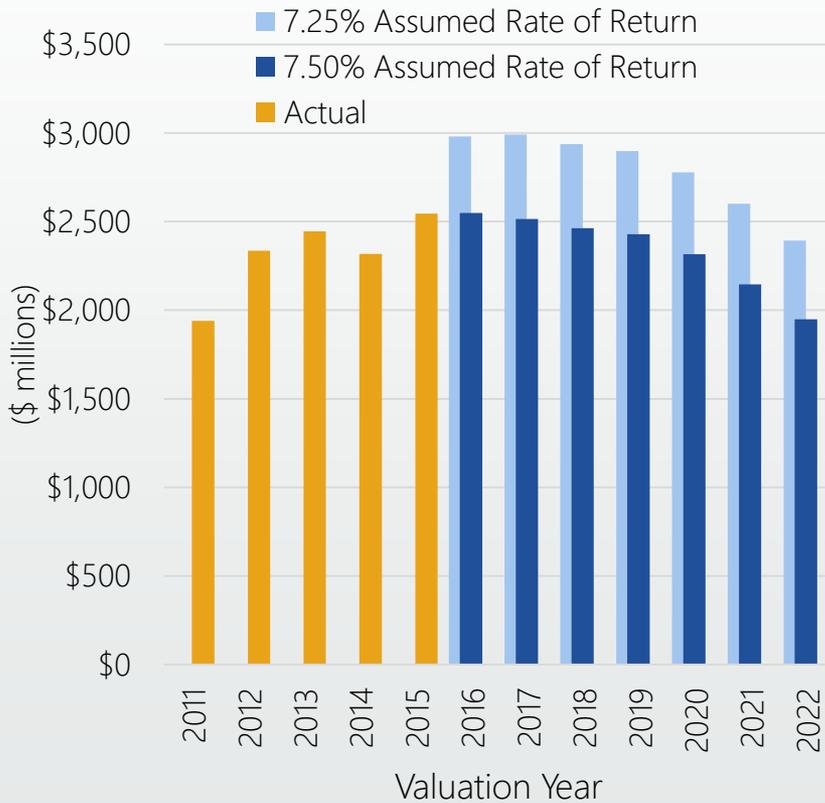
Employer Contributions: Historical and Projected



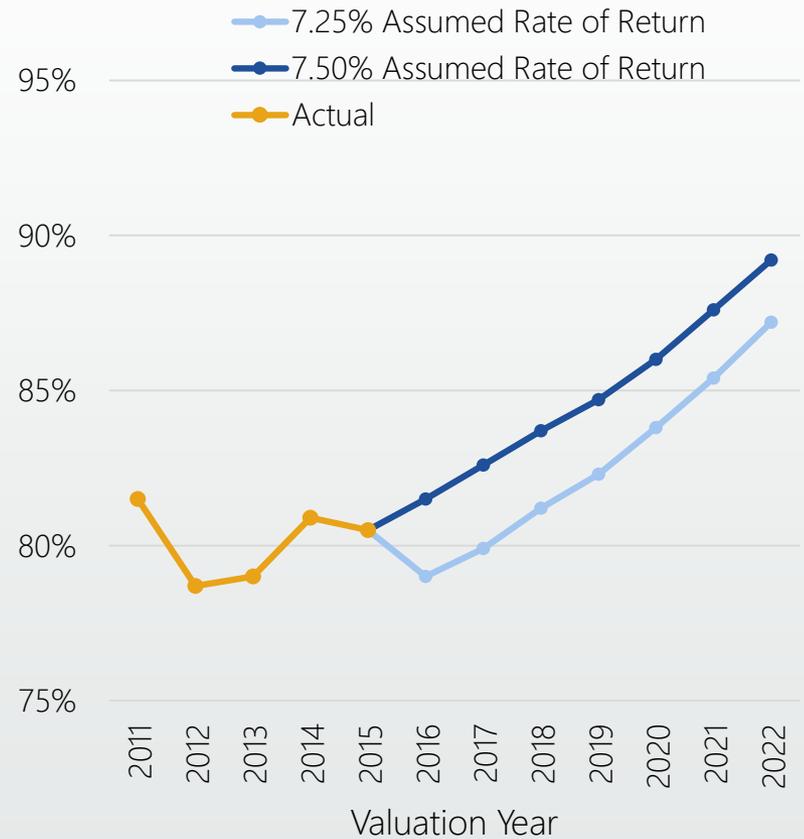
Sources: Segal consulting, Actuarial valuation report for years reported including Fiscal Year 2015-16 and 2016-17
 Projections assume a market return of 7.50% or 7.25% for valuations as of June 30, 2016 and later, which impacts Fiscal Year 2017-18 and later
 Projections do not assume changes to demographic assumptions

SDCERA Funding Status

Unfunded Actuarial Accrued Liability (UAAL)



Funded Ratio

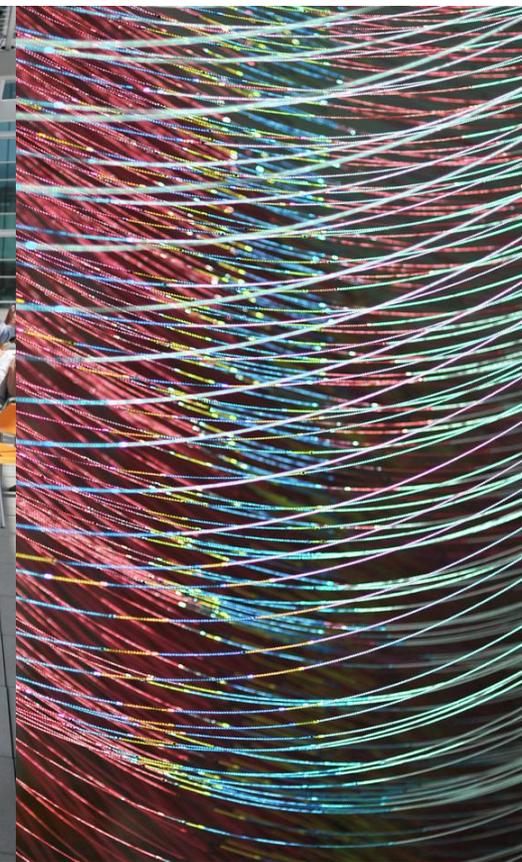


Sources: Segal Consulting; actuarial valuation report for years reported
 Projections assume a market return of 7.50% or 7.25% for valuations as of June 30, 2016 and later
 Projections do not assume changes to demographic assumptions

Limited Other Post Employment Benefits (OPEB) Obligations

- Effective July 1, 2007, SDCERA limited health insurance allowance to Tier I and Tier II retirees, a closed group of 5,424 employees
- Post retirement healthcare benefits are not a vested benefit
- OPEB contributions have been and will continue to be funded at the full ARC of \$20.0 million
- As of the latest valuation, the OPEB UAAL is \$164.4 million or 6% of the \$2.5 billion pension UAAL*

* UAAL reflects amounts attributable to all participating agencies; OPEB UAAL is as of June 30, 2014 and Pension UAAL is as of June 30, 2015



Lease Revenue Refunding Bonds (County Operations Center), Series 2016A



Refunding Plan

SERIES 2009A BONDS

Par Amount:	\$136,885,000 – Original \$120,215,000 – Outstanding at Refunding
Coupon Structure:	100% fixed rate
Final Maturity:	February 1, 2036
First Optional Call Date:	February 1, 2019
Annual Lease Payment:	<ul style="list-style-type: none"> Made by July 5th of each fiscal year (for upcoming August 1 and February 1 payment dates) \$9.9 million average annual debt service
Reserve Fund:	<ul style="list-style-type: none"> Cash funded Requirement based on standard IRS three-part test (currently Maximum Annual Debt Service)
Summary:	Proceeds used to help fund improvements at the County Operations Center

SERIES 2016A BONDS *

Par Amount:	\$109,610,000
Coupon Structure:	100% fixed rate
Final Maturity:	October 15, 2035
First Optional Call Date:	October 15, 2025
Annual Lease Payment:	<ul style="list-style-type: none"> Made by July 5th of each fiscal year (for upcoming October 15 and April 15 payment dates) \$8.7 million average annual debt service
Reserve Fund:	<ul style="list-style-type: none"> Cash funded Requirement based on lesser of 50% of Maximum Annual Debt Service or standard IRS three-part test
Summary:	Proceeds to advance refund all outstanding Series 2009A Bonds

* Preliminary and subject to change

Sources and Uses *

SOURCES

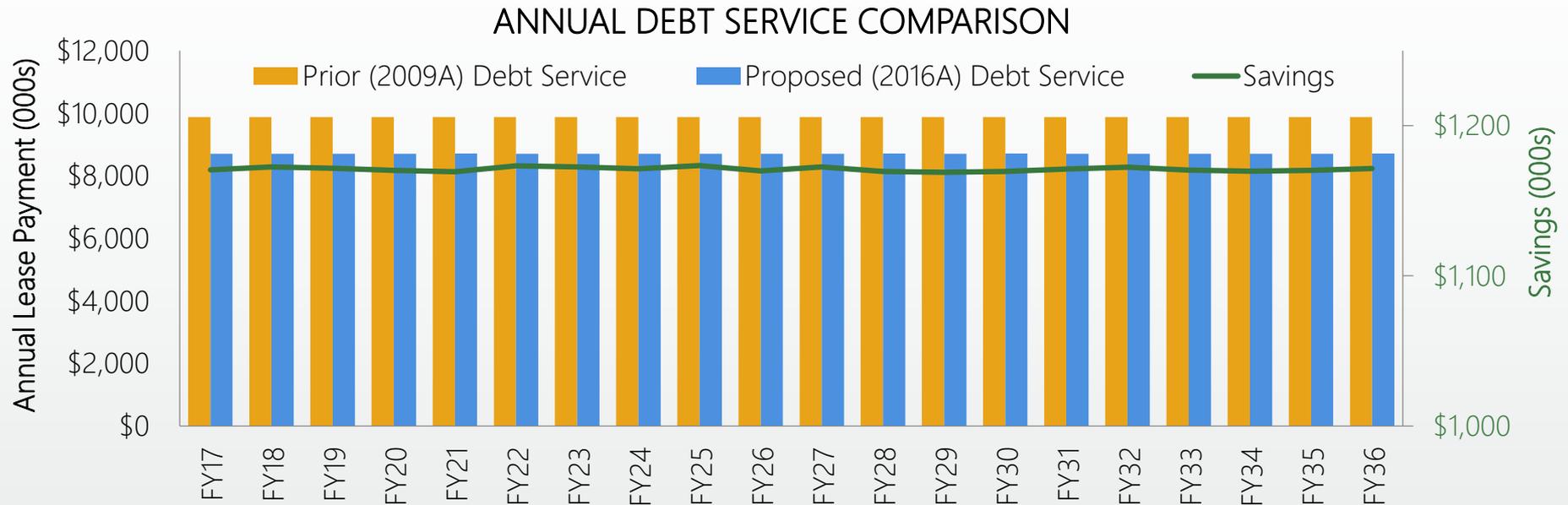
Bond Proceeds	
Par	\$109,610,000
Premium	19,117,871
Other Sources	
Reserve Fund Release	9,878,906
	\$138,606,777

USES

Refunding Escrow	\$133,523,255
Reserve Fund	4,354,562
Cost of Issuance	400,000
Underwriter's Discount	328,830
Additional Proceeds	129.70
	\$138,606,777

* Preliminary and subject to change

Anticipated Savings*



	Anticipated Savings	Refunding Policy Targets
Average annual cash flow savings	\$1,171,054	\$100,000
Net present value (NPV) savings	\$14,067,865	\$1,000,000
NPV Savings % of Refunded Bonds	11.7%	4.0%
Final Maturity	10/15/2035	2/1/2036

* Preliminary and subject to change

Leased Asset: County Operations Center



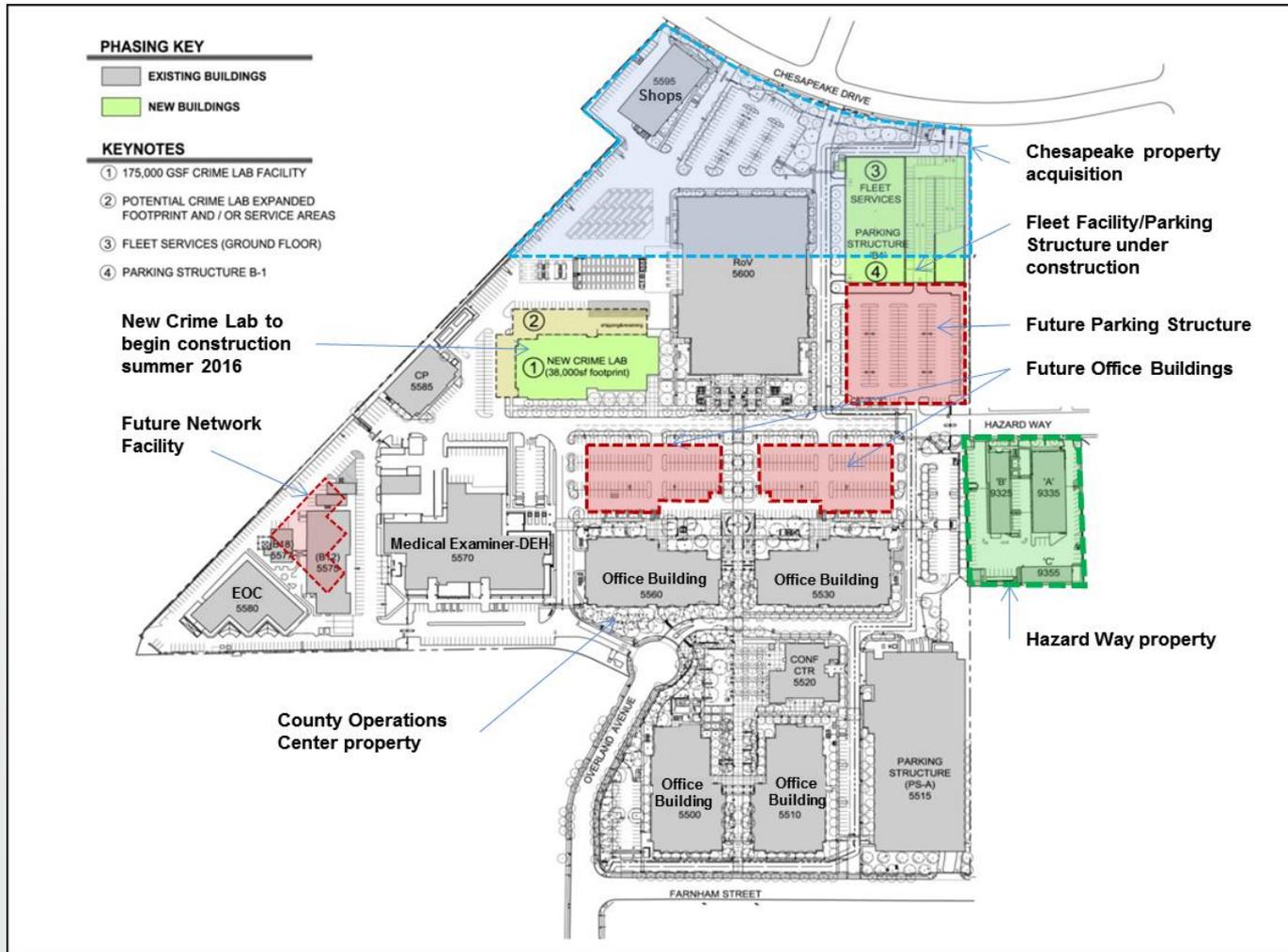
- Campus refresh began in 2007 with funded projects anticipated to be substantially complete in 2018
- 35.5-acre campus home to
 - 20 County departments
 - 3,160 County staff
- Refresh consolidated and streamlined County operations
- Central location provides services to San Diego County residents
 - Permitting
 - Voting
 - Library services
 - Public safety services

Leased Asset: County Operations Center

- Campus facilities include:
 - 4 office buildings
 - Medical Examiner facility
 - Registrar of Voters
 - Chambers and Common Area
 - Parking Structure
 - Under construction: Crime Lab, Fleet Facility
- Designed for sustainability and long term efficiency
 - LEED Gold and Platinum certification
- Designed for continuity of operations in power emergencies



County Operations Center Overview



Financing Schedule

Week of January 18	- Rating presentations
Week of February 1	- Receive ratings - Post Preliminary Official Statement
Week of February 8	- Sell 2016A Bonds
Week of March 7	- Close - Receive proceeds to fund Escrow Fund



Conclusion



County Continues its Commitment to Fiscal Stability

- Strong fiscal management is a fundamental credit strength of the County of San Diego
- Demonstrated commitment to fiscal discipline while maintaining operational excellence
- Active and conservative planning produces consistently high reserves and cash balances throughout economic cycles
- Capital projects funded through pay-go and limited debt issuance
- Early retirement of debt whenever possible
- Active approach to addressing unfunded pension liabilities and limited OPEB liability
- Large and diverse tax base and economy
- Strong institutionalized financial management practices ensure ongoing fiscal stability and reflects the County's commitment to maintaining its "legacy of fiscal stability"