

The City of  
**SAN DIEGO**  
State of California

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**  
FISCAL YEAR ENDED JUNE 30, 2018



2018

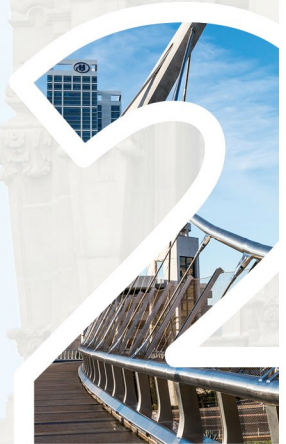


# City of San Diego

State of California

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018



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## FORWARD-LOOKING STATEMENTS

The Comprehensive Annual Financial Report (CAFR) of the City of San Diego for the fiscal year ended June 30, 2018, including the Letter of Transmittal and Management's Discussion and Analysis, contains forward-looking statements regarding the City of San Diego's (City) business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in the CAFR. Additionally, statements concerning future matters such as City budgets and the financial outlook for future years, the level of City services, California state matters that may impact the City, contingencies, revenue and expense levels, expected completion dates for projects and other statements regarding matters that are not historical are also forward-looking statements.

Although forward-looking statements in the CAFR reflect the City's good faith judgment, such statements can only be based on facts and factors currently known by the City. Consequently, forward-looking statements are inherently subject to risks and uncertainties. The actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of the CAFR. The City undertakes no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of the CAFR. Readers are urged to carefully review and consider the various disclosures made in the CAFR which attempt to advise interested parties of factors that may affect the business, financial condition, results of operations and prospects of the City.





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**INTRODUCTORY SECTION  
(UNAUDITED)**







December 7, 2018

To the Honorable Mayor, Members of the City Council and Residents of the City of San Diego:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of San Diego (City) for the fiscal year (FY) ended June 30, 2018, in accordance with Section 111 of the City Charter (Charter).

The CAFR has been prepared in accordance with accounting principles generally accepted in the United States of America. The City's management is responsible for the accuracy of the data, the completeness and fairness of the presentation and the adequacy of its disclosures. This includes the design, implementation and maintenance of internal controls over the preparation and fair presentation of financial statements that are free from material misstatement and for assurance that the assets of the City are protected from loss, theft or misuse. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements. We believe that the information presented is complete and reliable in all material respects.

The independent audit firm of Macias Gini & O'Connell LLP has audited the fiscal year 2018 financial statements of the City and has issued an unmodified opinion on the basic financial statements. The independent auditor's report is located at the front of the financial section of this report.

A narrative introduction, overview and analysis of the financial statements can be found in the Management's Discussion and Analysis (MD&A), which immediately follows the independent auditor's report. The MD&A complements this letter of transmittal and both should be read in conjunction. The notes, along with the other financial and operational data included in the City's CAFR, must be read in their entirety to obtain a complete understanding of the City's financial position as of June 30, 2018 and the respective changes in its financial position. Readers of these financial statements should pay particular attention to Notes 12, 13, 17, and 18, concerning Pension Plans, Other Postemployment Benefits, Commitments and Contingencies, respectively. These notes address certain issues underlying the City's financial condition as well as future potential or anticipated expenses/expenditures related to regulatory and environmental costs.

The financial statements included in this report present the balances and activity of the City and its blended, discretely presented and fiduciary component units. Blended component units are presented as funds of the City and include not-for-profit public benefit corporations and other financing authorities. In addition, the CAFR includes the San Diego Housing Commission, a discretely presented component unit. Fiduciary component units include the San Diego City Employees' Retirement System (SDCERS) and the Successor Agency of the Redevelopment Agency of the City of San Diego. See Note 1a of the financial statements for more information on the reporting entities of the City.

It is important to note that the General Fund's presentation in the CAFR is different from the presentation in the City's annual budget. The General Fund in the CAFR incorporates the balances and activity of additional special revenue funds which are not included as part of the General Fund and are reported as separate funds in the budget. All references to the General Fund in the narrative below are based on the General Fund as reported in the CAFR.

## PROFILE OF THE CITY OF SAN DIEGO

The City, incorporated in 1850, covers 325 square miles of land area and an additional 47 square miles of water area for an aggregate total 372 square miles. The California Department of Finance estimated the City's population to be 1,419,845 as of January 2018, making it the eighth most populated city in the nation and the second most populated city in California.

The City operates under and is governed by the laws of the State of California and its own Charter, as periodically amended since its adoption by the electorate in 1931. The City operates under a Strong-Mayor form of government. The Mayor is elected at large to serve a four-year term and may serve up to two consecutive terms. The City Council is composed of nine members who are elected to staggered four-year terms and who are limited to two consecutive terms. The City Council is presided over in open meetings by the Council President, who is selected by a majority vote of the City Council. The Mayor presides over closed session meetings of the City Council. The City Attorney, who is elected to a four-year term, serves as the chief legal advisor and attorney for the City and all departments. The City Attorney is also limited to two consecutive terms in office.

Under the Strong-Mayor form of government, the Mayor is the Chief Executive Officer of the City and has direct oversight of all City functions and services except for the City Council, Personnel, City Clerk, Independent Budget Analyst (IBA), City Attorney, Ethics Commission and City Auditor departments. Under this form of government, the Council has legislative authority; however, all City Council resolutions and ordinances are subject to a veto of the Mayor except for certain ordinances including emergency declarations and the City's annual Salary and Appropriations Ordinances. The City Council may override a Mayoral veto with six votes.

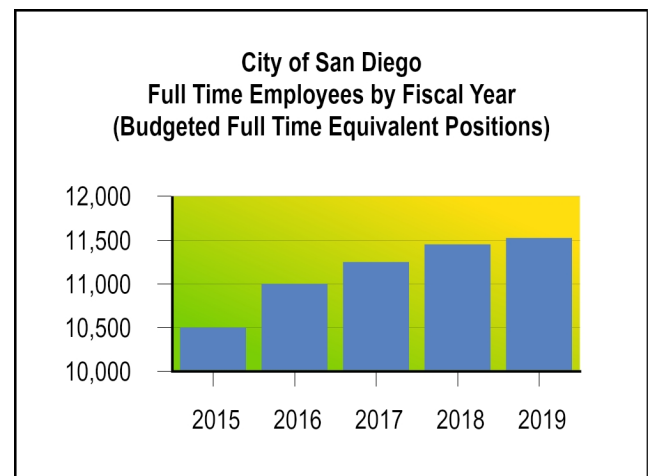
### CITY SERVICES

The City, with 11,545 budgeted Full-Time Equivalent (FTE) positions in fiscal year 2019, provides a full range of governmental services. The City has been able to restore and enhance services during the past several years, increasing budgeted staff from fiscal year 2014 to fiscal year 2018 by 1,318. In the fiscal year 2019 Adopted Budget, the City added 126 positions. The increase in positions is primarily focused on support for the Clean SD initiative and the City's multi-billion dollar Capital Improvements Program, including progress on the critical Pure Water Program and Storm Water improvements.

The City provides safety services to its residents and visitors, including police and fire protection, emergency medical treatment and lifeguard services. Neighborhood services include parks and recreation, library, arts and culture, refuse collection, waste management, economic development, and planning. The City operates and maintains the water and sewer utilities, the Montgomery-Gibbs Executive Airport and Brown Field general aviation airports, and the SDCCU Stadium. It also administers the Petco Park joint use and management agreement between the City and the Padres baseball team. The City's public works program improves and adds to the City's existing infrastructure including buildings, parks, roads, sidewalks, street lights, bridges, storm water, and distribution and collection systems for sewer and water.

### BUDGETING SYSTEMS AND CONTROLS

The budget is created each fiscal year by the Mayor and presented to the City Council and the public by April 15, as required by the Charter. After a series of public meetings, input from the City Council and City residents, the Mayor proposes revisions to the originally proposed budget, as necessary. The Charter requires that on or before June 15, the City Council approve the budget as submitted by the Mayor or with modifications to the proposed budget. Within five business days of City Council's approval, the Mayor has the discretion to line-item veto any budget modifications



approved by the City Council. In turn, the City Council has five business days within which to override the Mayor's veto. The Appropriation Ordinance that enacts the budget into law is based on the approved budget and the adopted Salary Ordinance. The City Charter requires that City Council adopt the Appropriation Ordinance for the following year by June 30. All subsequent amendments to the adopted budget require City Council approval except as delegated in the Appropriation Ordinance.

Budgetary control is established at the highest level by the Charter and further defined by the City Council through the annual Appropriation Ordinance. Budgetary control is exercised at the department level for the General Fund and at the fund level for all other funds. In addition, the budget authorized for personnel expenditures (salaries and wages) for a fund or department may not be used for non-personnel expenditures. The City's financial system incorporates embedded controls in which non-personnel expenditures cannot be incurred if a budget appropriation is not available. The City also uses an encumbrance system of accounting as a mechanism to accomplish effective budgetary control.

The City's Department of Finance (DoF) monitors fund balances, as well as revenue and expenditure projections throughout the fiscal year. The DoF prepares monthly and periodic reports to the City Council that summarize the year-to-date financial activity of the General Fund and other budgeted funds. Additionally, the DoF prepares an analysis of actual and projected financial activity for the entire fiscal year on a quarterly basis by issuing three budget monitoring reports during the year (First Quarter, Mid-Year, and Year-End Budget Monitoring Reports). Subsequent to the end of the fiscal year, the DoF prepares a report analyzing and explaining variances between year-end projections and unaudited year-end actual revenues and expenditures for the General Fund.

## LOCAL ECONOMY

The State of California Employment Development Department (EDD) estimates the total civilian labor force for the San Diego/Carlsbad Metropolitan Statistical Area (MSA), which represents San Diego County, is approximately 1.61 million, of which about 1.49 million are non-farm jobs (see footnote 2 below). Between October 2017 and October 2018, total non-farm employment increased by 26,000 jobs, or 1.8%. The unemployment rate in the San Diego/Carlsbad MSA was 3.3% in October 2018, below the prior year estimate of 3.6%. This compares with an unadjusted unemployment rate of 4.0% for California and 3.5% for the nation during the same period. The following table provides estimates of total annual civilian non-farm employment by number of employees in each major industry category in the San Diego/Carlsbad MSA for 2016 through 2018.

**San Diego / Carlsbad MSA <sup>1</sup>**  
**Civilian Non-Farm Labor Force by Industry Sector**

<b>Industry Sector</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2018</b>
Professional & Business Services	232,000	237,100	253,500	17.0%
Leisure & Hospitality	195,500	198,200	194,200	13.0%
Government				
State & Local Government	199,700	203,000	206,300	13.8%
Federal Government	47,100	49,600	47,100	3.2%
Healthcare & Social Assistance	170,900	176,100	181,100	12.1%
Trade				
Retail Trade	148,000	147,600	148,200	9.9%
Wholesale Trade	48,400	48,100	46,600	3.1%
Manufacturing	109,500	109,500	115,100	7.7%
Financial Activities	73,700	75,200	74,200	5.0%
Construction	81,100	81,100	80,900	5.4%
Other	136,200	140,600	144,900	9.8%
Total Non-Farm <sup>2</sup>	<u>1,442,100</u>	<u>1,466,100</u>	<u>1,492,100</u>	<u>100.0%</u>

<sup>1</sup> Based on California Employment Development Department data for the San Diego/Carlsbad Metropolitan Statistical Area for the month of October of each corresponding year (March 2017 Benchmark). Data excludes military uniformed personnel.

<sup>2</sup> Non-farm jobs exclude self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Federal Government employment in the table above includes approximately 24,200 civilians employed by the United States Department of Defense, but excludes military uniformed personnel. In its 2018 Economic Impact Study, the San Diego Military Advisory Council (SDMAC) estimated that the military directly employs approximately 119,000 military uniformed personnel in San Diego County, which is home to one out of every six of the Nation's Sailors as well as over one-fourth of the total United States Marine Corps.

## MAJOR INDUSTRIES

San Diego's economic base has evolved from one with a greater reliance on defense spending and tourism to one that includes more high-technology manufacturing and an expanded international trade sector. The City's Economic Development Strategy for 2017 through 2019, prepared by the City's Economic Development Department and adopted by the City Council in December 2016, identified four economic base industries in San Diego: (1) manufacturing and innovation, (2) international trade and logistics, (3) military installations, and (4) tourism. These are sectors that bring money and wealth into the region by exporting goods and services to the rest of the nation and the world.

The City's economic base is anchored by higher education and major scientific research institutions, including the University of California San Diego, San Diego State University, Scripps Research Institute, the Salk Institute for Biological Studies, and the San Diego Supercomputer Center. This provides a research and development foundation that helps create new products, which can then be manufactured in the region, especially in biotech and high-tech. According to the San Diego Regional Economic Development Corporation, scientific research and development impacts more than 100,000 local jobs and generates more than \$14.4 billion in economic impact - a third of which stems from research institutes. San Diego's manufacturing sector is diverse, including several manufacturing clusters: biotech; cleantech; defense and security systems; electronics and telecommunications; and food and beverage production.

With its proximity to Mexico and the Pacific Rim, San Diego is in a unique geographical position that creates opportunities for growth in international trade. The proximity of Mexican manufacturing to the United States often makes "near-sourcing" of manufacturing back to Mexico attractive for U.S. companies. The Port of San Diego, built around one of the world's great natural harbors, also facilitates international trade which provides for the importation of a wide variety of bulk products and large equipment. According to the Global Cities Initiative, the San Diego area was the 15<sup>th</sup> largest merchandise exporter in the U.S. with an export value of \$23.8 billion, with a total export-supported job total of 152,680. Annualized growth rates in exports from the San Diego area have increased by 1.7% from 2014 to 2017.

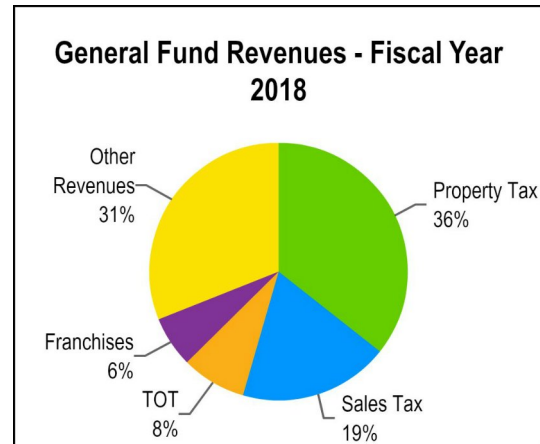
The military continues to play a significant role in the San Diego economy. The San Diego Military Advisory Council (SDMAC) issued a Military Economic Impact Study in November 2018 (SDMAC Study) estimating that in 2018, defense-related activities and spending will generate approximately \$50 billion of Gross Regional Product (GRP) for San Diego County, or 22% of the region's total GRP. The military was responsible for approximately 340,000 jobs in the region, or 22% of all employment in the region. The SDMAC Study further estimates that \$26 billion in federal defense funds were allocated to San Diego County, an increase of 3.2% from the previous year. This direct spending is estimated to rise approximately 4% in fiscal year 2019.

Tourism is a major economic driver for the City. In 2018, the San Diego Convention Center drew more than 898,000 attendees participating in one of 149 hosted events, and directly spending \$673.9 million in the region. According to the San Diego Tourism Authority (SDTA), the hospitality industry employed approximately 194,000 people as of December 2017 throughout the County. The SDTA further states that San Diego hosted 35 million visitors in calendar year 2017 who spent over \$10.8 billion at local businesses and generated \$289 million in Transient Occupancy Tax for the San Diego region during fiscal year 2017.

## FINANCIAL AND ECONOMIC TRENDS

In fiscal year 2018, the General Fund's four major operating revenue sources - property tax, sales tax, transient occupancy tax (TOT), and franchise fees (unrestricted) - made up 69% of total General Fund revenues. Based on revenue projections for the first quarter of fiscal year 2019, major revenues for the General Fund are expected to increase by \$64.1 million (6.3%) compared to major revenues reported for the General Fund in the fiscal year 2018 basic financial statements.

The table below shows historical trends for the General Fund major revenues for the past four fiscal years and revenue projections for fiscal year 2018.



**General Fund Major Revenues by Fiscal Year**  
(Dollars in Thousands)

	2014	2016	2017	2018	2019 <sup>1</sup>
Property Tax	\$ 449,244	\$ 471,321	\$ 506,197	\$ 535,481	\$ 568,702
Sales Tax <sup>2</sup>	265,295	284,448	280,558	282,321	307,485
TOT <sup>3</sup>	98,138	107,675	116,869	121,904	128,687
Franchise Fees <sup>4</sup>	81,251	81,929	73,080	80,215	79,189
<b>TOTAL</b>	<b>\$ 893,928</b>	<b>\$ 945,373</b>	<b>\$ 976,704</b>	<b>\$ 1,019,921</b>	<b>\$ 1,084,063</b>

<sup>1</sup> Source: Fiscal Year 2019 First Quarter Budget Monitoring Report - Department of Finance, City of San Diego.

<sup>2</sup> Includes Safety Sales Tax.

<sup>3</sup> Includes the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy). \$109.9 million was deposited into the TOT Special Revenue Fund in fiscal year 2018.

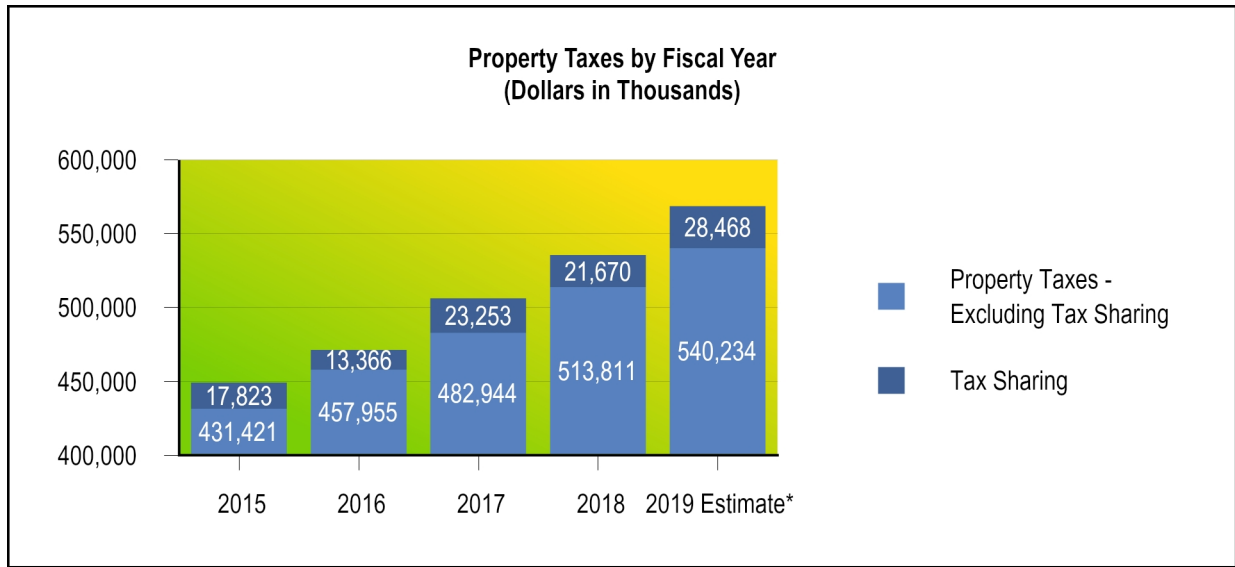
<sup>4</sup> Excludes \$16.0 million of SDG&E franchise fee revenue restricted by the Charter to preserve and enhance the environment of the City.

### Property Tax

Property Tax revenue is the largest revenue source for the General Fund, representing 35.7% of total General Fund revenue recognized in fiscal year 2018. There is a two year lag between the time at which property values are assessed by the County of San Diego and the time the property tax revenue is received by the City. Therefore, the property tax revenue received in fiscal year 2018 and the estimated revenue for fiscal year 2019 are based on assessments from January 1, 2017 and 2018, respectively. The 6.2% growth rate projected for property tax revenue in fiscal year 2019 in the First Quarter Budget Monitoring Report is based on year-over-year increases in the median home price of 10.5% and a decrease in home sales of 3.2%. The fiscal year 2019 assessed valuation of properties not sold or otherwise improved, in accordance with limits established by Proposition 13, is based on the change in the California Consumer Price Index (CCPI) from October 2016 to October 2017. During this period, the CCPI increased by 3.0%. Furthermore, Proposition 13 limits the inflation factor to 2.0%, therefore the assessed valuation of properties not sold or otherwise improved will increase their taxable basis by 2.0%.

Property tax revenue trends have been affected by tax sharing distributions resulting from the dissolution of the former redevelopment agency. The City receives tax sharing distributions in accordance with redevelopment dissolution laws and a proportional share of residual property tax payments of funds remaining in the Redevelopment Property Tax Trust Fund (RPTTF) after Recognized Obligation Payments are made. The amount of these payments has varied over the last four fiscal years. The following graph shows property taxes, net of tax sharing amounts, for

fiscal years 2015 through 2019, and the corresponding tax sharing amounts for each respective fiscal year (projected amounts for fiscal year 2019).



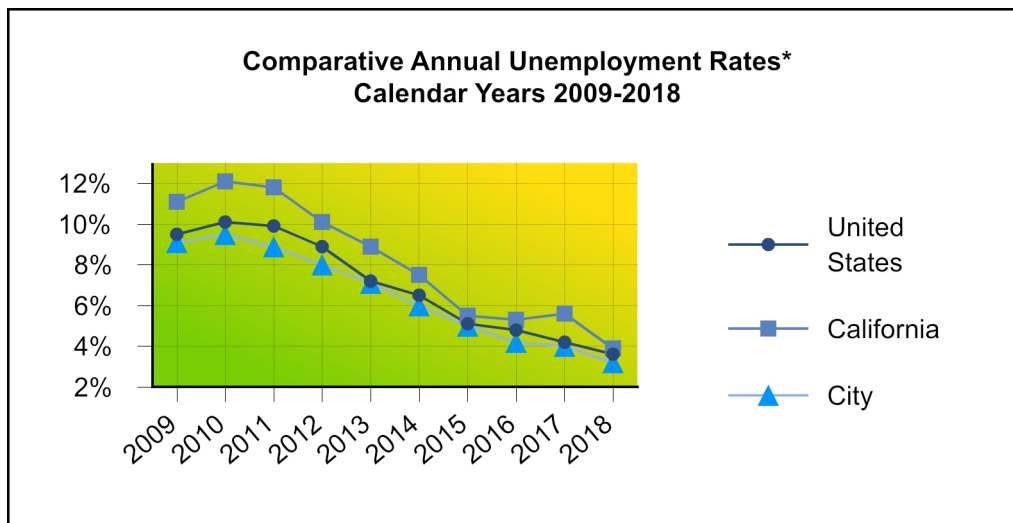
\* Source: Fiscal Year 2019 First Quarter Budget Monitoring Report - Department of Finance, City of San Diego

**Sales Tax**

The City's second largest revenue source for the General Fund is Sales Tax, representing 18.8% of total General Fund revenue recognized in fiscal year 2018. The total citywide sales tax rate in San Diego is 7.75%, of which the City receives approximately 1.0% for general purposes. The City also receives a portion of the 0.5% collected by SANDAG for the TransNet program to fund transportation improvements throughout the City, and a portion of the 0.5% Safety Sales Tax to fund local public safety needs. General purpose and Safety Sales Tax are deposited in the General Fund, while TransNet sales tax revenue is deposited in the TransNet Capital Projects Fund.

The major local economic drivers of the City's Sales Tax revenue include the unemployment rate and consumer confidence. The unemployment rate for the City was 3.3% in October 2018, down from 3.6% in October 2017 and 4.7% in October 2016. A lower local unemployment rate generally improves consumer confidence which, in turn, improves the City's sales tax receipts. In fiscal year 2018, actual sales tax revenue was lower than anticipated, which was primarily due to delayed fiscal year 2018 tax distributions of approximately \$14.7 million from the State. While the local economic indicators for sales tax are positive and stable, growth in sales tax will be restrained by online sales. As consumers shift from in-store purchases to online sales, the City receives a smaller portion of sales tax revenues. In another matter, the recent Supreme Court ruling in South Dakota vs. Wayfair, Inc. allows states to require online retailers to collect and remit sales tax, overruling a long-standing physical presence requirement. Although this decision will increase local sales tax revenues, the estimated impact and date of implementation are unknown. Based on the fiscal year 2019 projection, the City estimates a year-over-year increase in Sales Tax revenue of approximately \$25.2 million (8.9%) compared to fiscal year 2018 actual revenue recognized.





Source: Federal Bureau of Labor Statistics, California Employment Development Department.  
 \* Unemployment rate for 2018 is based on September 2018.

**Transient Occupancy Tax**

The City's TOT is levied at 10.5% of daily room prices in hotels and motels used by visitors staying in San Diego for fewer than 30 consecutive days. TOT revenue is allocated pursuant to the City Municipal Code. Of the 10.5% collected, 5.5% is allocated to the General Fund and the remaining 5% is allocated to the TOT Special Revenue Fund, 4% of which is allocated to special programs to promote the City's tourism and the remaining 1% is allocated for any purpose approved by the City Council. A portion of the revenue allocated to the TOT special revenue fund can be used to reimburse the General Fund for tourism promotion costs or transferred to the General Fund for any purpose approved by the City Council. TOT allocated to the General Fund of \$121.9 million represented 8.1% of total General Fund revenue recognized in fiscal year 2018. In addition, the General Fund received reimbursements and transfers from the TOT Special Revenue Fund of \$24.6 million and \$26.8 million, respectively, in fiscal year 2018 for a combined total of \$173.3 million.

**Tourism Information - County of San Diego**

	CY 2015	CY 2016	CY 2017	CY 2018 <sup>1</sup>	CY 2019 <sup>1</sup>
<b>Visitors</b>					
Total Visits (millions)	34.3	34.9	35	36.2	37
Overnight Visits (millions)	17.2	17.4	17.6	18.1	18.4
<b>Hotel Sector</b>					
Average Occupancy	76.4%	77.1%	77.3%	77.5%	77.2%
Average Daily Rate	\$150.03	\$154.87	\$160.11	\$165.07	\$171.64
Revenue PAR <sup>2</sup>	\$114.58	\$119.38	\$123.73	\$127.99	\$132.44
Room Demand (growth)	3.4%	2.2%	1.3%	2.7%	1.9%

Source: San Diego Tourism Authority and Tourism Economics.

<sup>1</sup> Forecast July 2018- Tourism Economics, Inc.

<sup>2</sup> Revenue per Available Room (Average Occupancy multiplied by Average Daily Rate).

The preceding table reflects the positive trend in tourism growth over the past three calendar years (2015-2017) and the forecast for calendar years 2018 and 2019 for San Diego County. Major economic drivers for TOT revenue include seasonal and non-seasonal tourism, business travel and conventions. Sustained positive tourism growth has occurred since the economic turnaround began in fiscal year 2010, continued through fiscal year 2017, and is expected to continue, though at a slower rate, through fiscal year 2019. The fiscal year 2019 projection estimates a year-over-year increase in General Fund TOT revenue of approximately \$6.8 million (5.6%) compared to actual revenue recognized in fiscal year 2018.

## Franchise Fees

San Diego Gas and Electric (SDG&E), the single largest generator of franchise fee revenues for the General Fund, remits 3% of the gas and electricity gross sales within the City, 75% of which is unrestricted and 25% of which is restricted by the Charter to preserve and enhance the environment of the City. Both restricted and unrestricted SDG&E franchise fee revenues are recorded in the General Fund. The City also collects 5% of its gross revenues from Cox Communications, Spectrum (formally Time Warner Cable), and AT&T for cable and broadband. Other franchise fee revenues include refuse hauler fees based on the total amount of refuse hauled annually, and fees from the Police Department vehicle tow program. Unrestricted franchise fee revenues of approximately \$80.2 million represented 5.3% of total General Fund revenues recognized in fiscal year 2018. The fiscal year 2019 projection estimates a year-over-year decrease of \$1.0 million in unrestricted franchise fee revenues.

## LONG-TERM FINANCIAL PLANNING AND FINANCIAL POLICIES

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### FIVE-YEAR OUTLOOK

Each year the City develops a Five-Year Financial Outlook (Outlook), which is the guiding document for long-range fiscal planning and serves as the framework for development of the next adopted budget. The Outlook is published annually and incorporates a range of information on items that influence projected revenues and anticipated appropriation needs over the next five fiscal years. These projections inform the City Council and the public of the long-term costs of programs in the context of the City's overall General Fund budget and projected revenue growth. The Outlook can be obtained online at <https://www.sandiego.gov/finance/financialrpts>.

### MULTI-YEAR CAPITAL IMPROVEMENT PROGRAM AND INFRASTRUCTURE

On January 24, 2018, the City's Public Works Department released its Five-Year Capital Infrastructure Planning Outlook (CIP Outlook) report. The CIP Outlook presents a comprehensive overview of the City's CIP including current driving factors, reviews of service level standards, a discussion of condition assessment impacts, and a cost analysis which spans over multiple fiscal years. The CIP Outlook is released on an annual basis and will be used as a guide in developing the City's Annual Capital Improvement Program Budget.

The CIP Outlook projects capital needs through fiscal year 2023 at approximately \$4.37 billion. However, projected available funding is approximately \$2.79 billion with an estimated funding gap of \$1.58 billion. This does not represent the entire value of all City infrastructure needs since not all capital needs could be reasonably addressed within the next five years. Additionally, the funding gap only relates to General Fund owned assets, as enterprise funds such as water and sewer utilities are considered self-sufficient for capital needs. As the CIP program grows, it is critical to efficiently manage and deliver capital projects, and build organizational capacity in the CIP. As mentioned previously, the fiscal year 2019 Adopted Budget includes additional positions to support the multi-billion dollar CIP program efforts.

The City owns and maintains depreciable assets, including but not limited to, streets, bridges, parks, public facilities, and airports. Over the years, due to competing financial priorities, the City deferred maintenance and capital expenditures related to some of these assets, resulting in deterioration of parts of the City's infrastructure. In addition to deferred capital needs, the City has identified significant storm water capital projects in the Watershed Asset Management Plan needed to comply with more stringent water quality regulations (see Note 17). The City has continued to address the deferred capital costs through its multi-year financing plan and assess the condition of key asset classes.

The City has previously conducted condition assessments on streets, bridges, sidewalks, highest risk storm drains, and most General Fund-owned facilities. These condition assessments are updated on a periodic basis. The current condition assessments and CIP Outlook cover a subset of City assets and represent a portion of the City's deferred maintenance and infrastructure needs. However, as remaining assessments for parks, storm drains, and other essential public infrastructure are conducted, the City will continue to gain a better understanding of funding needs. Generally, the City has discretion on the condition levels at which City assets are maintained. Therefore, deferred maintenance on City assets does not constitute a liability of the City. There are, however, significant commitments and contingent liabilities related to infrastructure spending and other requirements disclosed in Notes 17 and 18. Spending priorities on asset maintenance and infrastructure are reassessed

annually and incorporated into the budget process in order to ensure that condition level goals are met in a manner that is balanced with other budget priorities and spending requirements.

A financial plan for addressing General Fund deferred capital needs and new facilities has been in place over the last several years in part through the issuance of \$333 million in Lease Revenue Bonds. Looking forward, \$88.5 million in short-term commercial paper notes are anticipated to be issued during fiscal year 2019 as part of the approximately \$270 million expected to be financed through fiscal year 2024 towards capital and infrastructure needs. Additionally, the DoF prepares semi-annual CIP Budget Monitoring Reports that highlight the effective cash management and streamlining efforts that enhance internal monitoring and execution of the CIP program. These reports can be obtained at <https://www.sandiego.gov/finance/financialrpts>.

There are also significant additional revenue sources restricted for capital projects and infrastructure, such as TransNet, Gas Taxes, proceeds from real property sales, developer impact fees, and capital grants that are anticipated to be invested in City infrastructure and deferred maintenance. Additionally, on June 7, 2016, San Diego residents passed Proposition H, a Charter amendment measure that establishes an Infrastructure Fund (Fund) to be used exclusively to pay for capital improvements and repair and maintenance of City infrastructure. Beginning in fiscal year 2018, the City must deposit 50% of major revenue growth over the base year of fiscal year 2016 into the Fund for five years. The full budgeted amount of \$17.8 million was deposited in the Fund during fiscal year 2018. The fiscal year 2019 adopted budget for the Fund is \$17.1 million. Major revenues are property tax, transient occupancy tax, and unrestricted franchise fees. Thereafter, for the next 20 years, the Infrastructure Fund deposit will be (1) the incremental growth in sales tax from the base year after a CPI allocation to the General Fund, and (2) any savings from a reduction in annual pension payments. Based on forecasted revenue and pension costs used in the 2020-2024 Five Year Outlook, no mandatory deposits are expected in fiscal year 2023 or fiscal year 2024.

## **RESERVES**

Strong financial reserves position the City to weather significant economic downturns more effectively and manage the consequences of outside agency actions that may result in revenue reductions. They also serve to address unexpected emergencies such as natural disasters and catastrophic events, unanticipated critical expenditures or legal judgments against the City. The City's approach to establishing and maintaining strong reserves across the spectrum of City operations, including General Fund, Risk Management and enterprise fund (including sewer and water utilities) operations, is contained in the City's Reserve Policy.

The City's Reserve Policy establishes policy goals, which represent the total reserve level that the City is trying to achieve for each of its reserves (Policy Goal). For those reserves that are not at Policy Goal levels, the City's Reserve Policy establishes incremental funding levels for each fiscal year (Target Goal) until arriving at full funding. The table on the following page identifies the Policy Goal, Target Goal (percentage and dollar), and current reserve levels as of the end of fiscal year 2018 for General Fund, Risk Management and Pension Payment Stabilization Reserves.

Reserve	Policy Goal	FY 18 Target %	FY 18 Target \$ (In Millions)	FY 18 Reserve %	FY 18 Reserve \$ (In Millions)
<b>General Fund Emergency Reserve</b> <sup>1</sup>	8% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis)	8%	\$96.7	8%	\$96.7
<b>General Fund Stability Reserve</b> <sup>1</sup>	8.7% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis)	7%	\$84.6	7%	\$84.6
<b>Public Liability Reserve</b> <sup>2</sup>	50% of outstanding public liability claims based on the annual actuarial liability valuations for the three most recent fiscal years	47%	\$32.6	50%	\$34.7
<b>Workers' Compensation Reserve</b> <sup>2</sup>	12% of outstanding workers' compensation claims based on the annual actuarial liability valuations for the three most recent fiscal years	12%	\$30	12%	\$30
<b>Long-Term Disability Reserve</b> <sup>2</sup>	100% of long-term disability claims based on the annual actuarial liability valuations for the three most recent fiscal years	100%	\$5.5	100%	\$5.5
<b>Pension Payment Stabilization Reserve</b> <sup>3</sup>	8% of the average of the three most recent Actuarially Determined Contributions	—%	\$—	—%	\$—

<sup>1</sup> For purposes of the General Fund Reserve Policy, the General Fund is the operational fund as presented in the City's annual budget document and excludes other funds which are consolidated with the General Fund for presentation in the CAFR in accordance with GASB 54.

<sup>2</sup> Public Liability, Workers' Compensation, and Long-Term Disability Reserves are based on cash on hand plus contributions receivable balances. The Public Liability Reserve is over its target balance and has met its fiscal year 2019 target in advance.

<sup>3</sup> Reserve was fully utilized during fiscal year 2018. An incremental replenishment plan is included in the Five-Year Outlook beginning in fiscal year 2019.

General Fund Reserves are comprised of two separate components: (1) the Emergency Reserve established for the purpose of sustaining General Fund operations in the case of a public emergency, and (2) the Stability Reserve established to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures. The Emergency Reserve may be expended only if an event is determined to be a public emergency by a two-thirds vote of the City Council, while appropriations from the Stability Reserve require approval by a simple majority of the City Council.

To determine the reserve dollar amount in accordance with the City's reserve policy, the City calculates the average operating revenues for the General Fund (budgetary basis) based on the three most recent years and applies a percentage to that average. In fiscal year 2017, the City increased its Policy Goal for the Stability Reserve from 6% to 8.7%, while maintaining the Emergency Reserve at 8%, to arrive at the total General Fund Reserve Policy Goal of 16.7%. The City met its Stability Reserve Target Goal for fiscal year 2018 of 7% or \$84.6 million.

The General Fund's Emergency Reserve of \$96.7 million is reported as restricted fund balance in the financial statements. The General Fund's unassigned fund balance as of June 30, 2018 was \$95.4 million, of which \$84.6 million represents the General Fund's Stability Reserve. The excess unassigned fund balance may be used upon direction of the City Council. The General Fund also reports an additional \$24.7 million of fund balance that has been assigned for expenditures in the fiscal year 2019 budget.

The City also maintains reserves to manage risk, including reserves for the payment of claims and judgments (Public Liability Reserve), a reserve for obligations related to workers' compensation claims (Workers' Compensation Reserve), and a reserve for long-term disability payments for City employees (Long-Term Disability Reserve). As of June 30, 2018, each of these reserves was funded in excess of Policy Goal levels. Balances in excess of the respective targets are evaluated annually to ensure current target levels and anticipated funding needs may be fulfilled as necessary. Public liability and workers' compensation reserves are reported in the financial statements as part of the General Fund's committed fund balance. The Long-Term Disability Reserve is reported as cash in the Miscellaneous Internal Service Fund. Liability claims paid after the end of fiscal year 2018 could reduce risk management reserve balances.

In April 2016, the City created the Pension Payment Stabilization Reserve. The purpose of this reserve is to mitigate service delivery risk by providing a source of funding for unanticipated increases in the Actuarially Determined Contribution (ADC). The ADC is calculated by SDCERS' actuary as part of its annual Actuarial Valuation Report. Unanticipated increases in the ADC could be caused by several factors, such as lower than expected investment returns; changes in actuarial assumptions approved by the SDCERS Board, including a reduction in the discount rate; and other significant liability experience losses. The fiscal year 2018 adopted budget included full utilization of the General Fund and non-General

Fund reserves to minimize the impact from the significant increase in the City's July 1, 2017 ADC payment of \$324.5 million. The Fiscal Year 2020-2024 Five-Year Financial Outlook Report included a plan to replenish the Pension Reserve on an incremental basis of 20.0% to achieve the full reserve target by Fiscal Year 2023. The Fiscal Year 2019 Adopted Budget included \$3.6 million, or 20.0%, of the Pension Reserve for the General Fund and \$1.2 million, or 20.0% of the Pension Reserve for the Enterprise funds, for a total of \$4.8 million.

The City also maintains other reserves for the following enterprise funds: the Water and Sewer Utility Funds, Development Services Fund, Environmental Services Fund, and the Golf Course Fund. Other than the pension payment stabilization reserve, the City has made no draws on its primary reserves.

## **OTHER FINANCIAL POLICIES**

In addition to policies related to reserves, budget development, budget monitoring and the Outlook, the City has adopted a comprehensive set of financial policies including policies on debt management, investments, Capital Improvement Program prioritization and transparency, among others. A summary of these policies can be found within the City's current year adopted budget online at <https://www.sandiego.gov/finance/annual/vol1>.

## **MAJOR ACCOMPLISHMENTS AND INITIATIVES**

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On October 29, 2018, the City fulfilled Mayor Faulconer's pledged five-year plan to repair at least 1,000 miles of City streets. The repairs were completed in just over a three-year period, well within the initial pledged period. The City intends to continue its aggressive street repair program in fiscal year 2019 by repairing approximately 390 miles. In addition, a 2016 independent assessment of City streets showed the overall condition index had improved over 20% since a previous 2011 assessment.

The City was honored with a first-of-its-kind national certification for using data to drive effective results for residents. Bloomberg Philanthropies' What Works Cities Initiative recognized San Diego for its use of innovative public outreach tools including resident satisfaction surveys, the Get It Done mobile application and a progressive open data policy. The award, which encourages cities across the country to emulate awardees in their approach to using data and evidence to enhance government effectiveness, was presented to Mayor Faulconer during the U.S. Conference of Mayors in Washington D.C. in January 2018.

Mayor Faulconer recently expanded his Clean SD initiative by directing the clearing of trash and debris from canyons to reduce the risk of canyon fires and keep residents and firefighters safe. The Clean SD program was launched in 2017 to address litter removal, street sweeping, and graffiti removal requests received through the City's Get It Done application. Crews have already removed over 1,400 tons of debris from rivers, creeks, city streets and sidewalks.

On December 5, 2017, the City Council approved an amendment to the San Diego Police Officers Association (POA) labor contract which increased pensionable compensation for represented employees totaling 25.6% to 30.6%, depending upon length of service. This is the largest recruitment and retention package in San Diego Police Department (SDPD) history, and authorizes salary and fringe benefit increases that range from 5% to 8.3%, semi-annually, starting July 1, 2018 through the end of the contract term on June 30, 2020. In June 2018, the City Council approved a professional services contract for marketing services to Police Recruits, including a national recruitment campaign and branding services intended increase the number of police officer recruit candidates. Finally, on December 11, 2018 Council is scheduled to hear another amendment to the POA labor contract focused on Police Officer lateral and recruitment incentive payments. This program approves cash incentives to recruits as they successfully complete various steps in the recruitment, academy and hiring processes. It also allows cash incentive payments to current POA represented employees who successfully recruit new members into SDPD.

In the area of water and wastewater infrastructure, the City is furthering the progress on a plan to implement a potable water reuse program (Pure Water) to provide future water reliability to San Diego residents, making the City a leader in water sustainability technology. In October 2018, the City Council approved a \$614 million loan from the U.S. Environmental Protection Agency's Water Infrastructure Finance and Innovation Act (WIFIA) Program. In November 2018, the City Council voted to authorize over \$1 billion of construction contracts for Pure Water. See Notes 17 and 24 for more information on Pure Water.

Housing SD is a set of policies and initiatives to increase housing affordability and address the statewide housing crisis at the local level. The Housing SD plan includes a set of housing proposals to increase supply, lower costs, and promote smart growth and the City's Climate Action Plan implementation. The goal of Housing SD is to increase San Diego's housing supply for low and middle-income San Diegans. Initiatives that have been completed since June 2017 include the following: Affordable/Sustainable Expedite Program; municipal code changes to promote companion unit production; Affordable Housing Density Bonus Program; expansion of zones where live/work spaces are allowed; and the production of the first Housing Inventory Report which can be found at <https://www.sandiego.gov/sites/default/files/housing-inventory-annual-report.pdf>.

As a result of modest positive trends in revenue growth, the fiscal year 2019 Adopted Budget preserves a number of service enhancements added in previous years for residents of San Diego focusing on three strategic goals: achieve safe and livable neighborhoods; create an economically prosperous city; and provide high quality public service. Safe and livable neighborhoods are enhanced through funding for emergency command and data center dispatch, General Fund infrastructure support, police recruitment and retention compensation, and Clean SD. The fiscal year 2019 budget also recognizes important funding for three bridge shelters, affordable housing, and other homeless initiatives. Public service is enhanced through funding of new libraries and parks and recreation facilities, beach trash collection, and sidewalk repair and replacement support.

The City was able to preserve and enhance these core services, fully make its pension payment, and fully fund General Fund and Risk Management reserves to policy targets. Balancing the General Fund fiscal year 2019 budget involved making strategic decisions, which support the City's strong commitment to fiscal sustainability. Effective financial oversight promotes a healthy financial future and the ability to provide outstanding service to communities throughout San Diego.

## ACKNOWLEDGMENTS

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The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its CAFR for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A *Certificate of Achievement for Excellence in Financial Reporting* is valid for a period of one year. We believe our current CAFR continues to meet the requirements of the Certificate of Achievement for Excellence in Financial Reporting Program, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the dedication and professionalism of the entire staff of the City's Department of Finance. We wish to thank all City departments for their valuable contributions and thank the staff of Civic San Diego, San Diego Convention Center Corporation, San Diego Housing Commission and San Diego City Employees' Retirement System for providing component unit information which has been incorporated into this report. We also want to thank the City's independent auditors, Macias Gini & O'Connell LLP for their work. Finally, we would like to thank Mayor Kevin Faulconer for his support in maintaining the highest standards of professionalism in management of the City and the Audit Committee for their governance role over the audit of the CAFR.

Respectfully submitted,



Rolando Charvel  
Chief Financial Officer



Tracy McCraney  
Department of Finance Director and  
City Comptroller



Scott Clark  
Assistant Director, Department of Finance



Government Finance Officers Association

Certificate of  
Achievement  
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Reporting

Presented to

**City of San Diego  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO



City of San Diego Current Elected Officials  
 (Holding office as of the issuance date of this report)



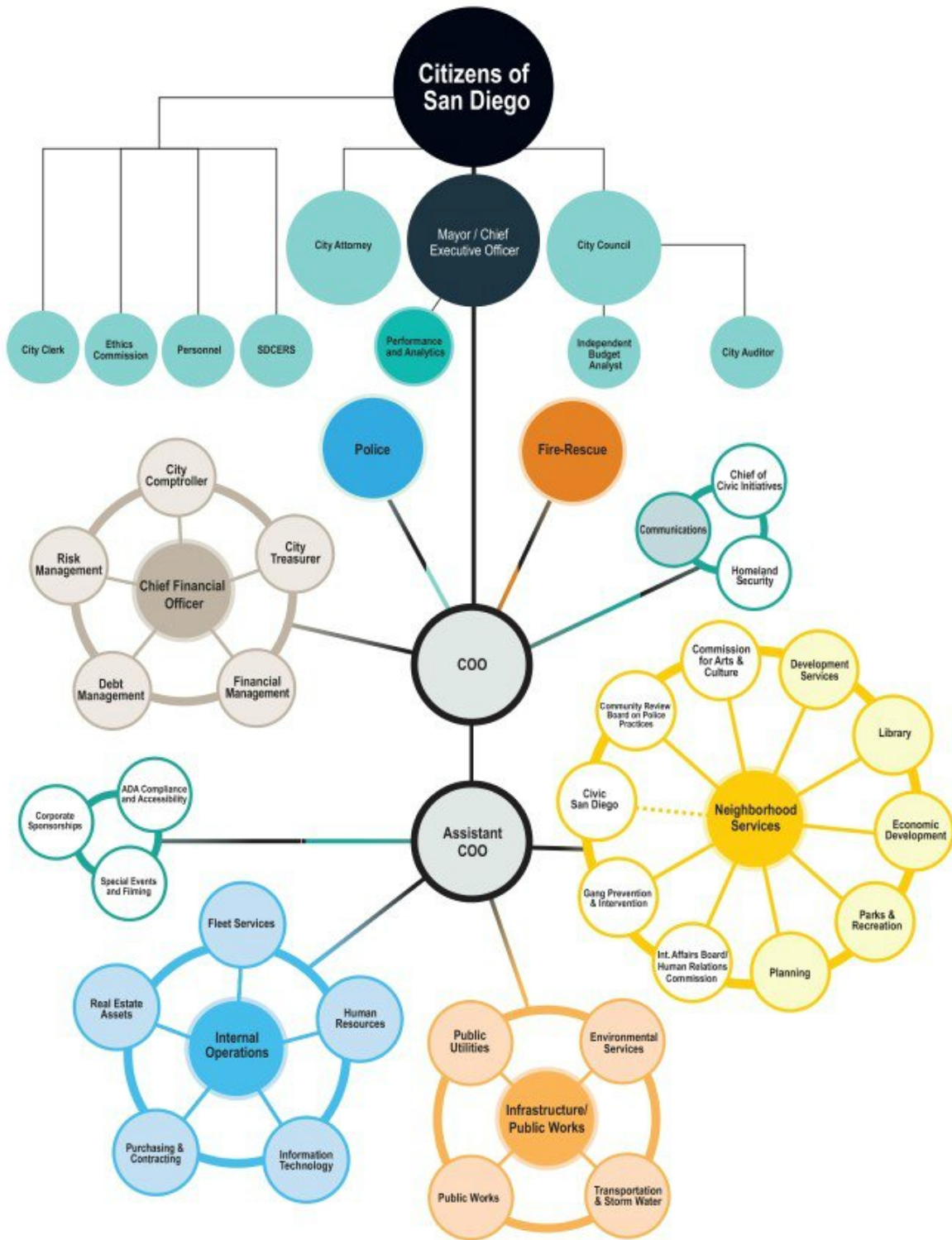
Mayor Kevin Faulconer

District 1 Councilmember Barbara Bry			District 6 Councilmember Chris Cate
District 2 Councilmember Lorie Zapf			District 7 Councilmember Scott Sherman
District 3 Councilmember Chris Ward			District 8 Councilmember David Alvarez
District 4 Council President Myrtle Cole			District 9 Councilmember Georgette Gómez
District 5 Council President Pro Tem Mark Kersey			City Attorney Mara W. Elliott

Other City Officials

- Kris Michell, Chief Operating Officer
- Rolando Charvel, Chief Financial Officer
- Tracy McCraner, Department of Finance Director/City Comptroller
- Gail R. Granewich, City Treasurer
- Elizabeth Maland, City Clerk
- Andrea Tevlin, Independent Budget Analyst
- Kyle Elser, Interim City Auditor

# The City of **SAN DIEGO** ORGANIZATION



REVISED: 04/03/2018



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**FINANCIAL SECTION**







## **Independent Auditor's Report**

To the Honorable Mayor and Members of the  
City Council of the City of San Diego, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of San Diego, California (City), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Diego Housing Commission, a discretely presented component unit, which represents 100% of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Diego Housing Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies

used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Notes 1 and 23 to the basic financial statements, effective July 1, 2017, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of GASB Statement No. 75, the net position as of July 1, 2017, was restated and reduced, on an opinion unit basis, as follows by: \$188.4 million and \$54.5 million for the governmental activities and business-type activities, respectively; \$19.8 million and \$18.6 million for the Sewer Utility and Water Utility major enterprise funds, respectively; and \$25.4 million for the aggregated remaining fund information. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 33-46; the schedule of changes in net pension liability and related ratios, the preservation of benefits plan schedule of changes in total pension liability, the pension plans schedule of employer contributions, the schedule of changes in the net OPEB liability and related ratios, the OPEB plan schedule of employer contributions on pages 191-194; and the general fund schedule of revenues, expenditures and changes in fund balance - budget and actual (budgetary basis) on page 198, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, slightly slanted style.

San Diego, California  
December 7, 2018



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**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

As management of the City of San Diego (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage the reader to consider the information presented here in addition to the information presented in the Letter of Transmittal.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The focus of the government-wide financial statements is on reporting the operating results and financial position of the government as an economic entity. These statements are intended to report the City's operational accountability to its readers, giving information about the probable medium and long-term effects of past decisions on the City's financial position.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual amount reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing changes in the City's net position during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The focus is on both gross and net costs of City functions, which are supported by general revenues. This statement also distinguishes functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: General Government and Support; Public Safety-Police; Public Safety-Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; and Interest on Debt Service. The business-type activities of the City include: Sewer Utility; Water Utility; Airports; Development Services; Environmental Services; Golf Course; Recycling; and the San Diego Convention Center Corporation (SDCCC).

The government-wide financial statements include the City (known as the primary government) and the San Diego Housing Commission (SDHC), a legally separate, discretely presented component unit. Financial information for this component unit is reported separately from the financial information presented for the primary government. The City also reports fiduciary component units which are not included in the government-wide financial statements. Fiduciary component units include the San Diego City Employees' Retirement System (SDCERS) and the Successor Agency of the Redevelopment Agency of the City of San Diego (Successor Agency). Blended component units, also legally separate entities, are a part of the City's operations and are combined with the primary government.

Included within the primary government as blended component units are the following:

- Civic San Diego (CSD)
- Convention Center Expansion Financial Authority (CCEFA)
- Public Facilities Financing Authority (PFFA)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)
- The Otay Mesa Enhanced Infrastructure Financing District Public Financing Authority (EIFDPFA)
- San Diego Convention Center Corporation (SDCCC)

The government-wide financial statements can be found beginning on page 50 of this report.

## **FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

## **GOVERNMENTAL FUNDS**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statements of Revenues, Expenditures and Changes in Fund Balances for the General Fund, which is a major fund. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the Combining and Individual Fund Financial Statements and Schedules section of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget and is presented as required supplementary information.

The basic governmental funds financial statements can be found beginning on page 54 of this report.

## **PROPRIETARY FUNDS**

The City maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its various business-type activities, such as Sewer and Water Utilities. Internal service funds, such as Central Stores, Fleet Operations, and Publishing Services, are used to report activities that provide centralized supplies and/or services to the City.

Proprietary funds statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Sewer and Water Utility funds, which are considered major funds of the City. Data for the nonmajor enterprise funds are combined into a single, aggregated presentation, and the internal service funds are combined into a single, aggregated presentation as well. Included in the Combining and Individual Fund Financial Statements and Schedules section of this report are individual fund data for the nonmajor enterprise funds and the internal service funds.

The basic proprietary funds financial statements can be found beginning on page 60 of this report.

## **FIDUCIARY FUNDS**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found beginning on page 66 of this report.

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 69 of this report.

## **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information regarding: changes in the City's net pension liability; changes in the City's total pension liability for the Preservation of Benefits (POB) Plan; changes in the City's net other postemployment benefits liability; employer contributions to the pension plan; and employer contributions to the postemployment healthcare benefits plan. The required supplementary information also includes a budgetary comparison schedule for the General Fund. Required supplementary information can be found beginning on page 191 of this report.

The individual fund data referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information beginning on page 215 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

CITY OF SAN DIEGO'S CONDENSED STATEMENT OF NET POSITION  
(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017 <sup>1</sup>	2018	2017 <sup>1</sup>	2018	2017 <sup>1</sup>
Capital Assets .....	\$ 5,077,307	\$ 4,954,394	\$ 6,176,556	\$ 5,977,870	\$ 11,253,863	\$ 10,932,264
Other Assets .....	2,417,166	2,490,292	1,137,582	1,113,995	3,554,748	3,604,287
Total Assets .....	<u>7,494,473</u>	<u>7,444,686</u>	<u>7,314,138</u>	<u>7,091,865</u>	<u>14,808,611</u>	<u>14,536,551</u>
Deferred Outflows of Resources .....	671,068	810,822	261,901	304,809	932,969	1,115,631
Net Long-Term Liabilities .....	3,819,533	3,699,467	2,706,938	2,586,994	6,526,471	6,286,461
Other Liabilities .....	182,938	187,260	220,200	259,286	403,138	446,546
Total Liabilities .....	<u>4,002,471</u>	<u>3,886,727</u>	<u>2,927,138</u>	<u>2,846,280</u>	<u>6,929,609</u>	<u>6,733,007</u>
Deferred Inflows of Resources .....	80,135	—	18,506	2,730	98,641	2,730
Net Position						
Net Investment in Capital Assets .....	4,308,123	4,220,622	4,383,725	4,246,534	8,691,848	8,467,156
Restricted .....	1,490,948	1,725,549	7,208	7,790	1,498,156	1,733,339
Unrestricted .....	(1,716,136)	(1,577,390)	239,462	293,340	(1,476,674)	(1,284,050)
Total Net Position .....	<u>\$ 4,082,935</u>	<u>\$ 4,368,781</u>	<u>\$ 4,630,395</u>	<u>\$ 4,547,664</u>	<u>\$ 8,713,330</u>	<u>\$ 8,916,445</u>

<sup>1</sup> Fiscal year 2017 amounts have not been restated for the effects of GASB Statement No. 75 implementation, which impacts Net Position variance explanations below.

As noted earlier in the overview of the government-wide financial statements, over time, changes in net position may serve as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,713,330 as of June 30, 2018, a decrease of \$203,115, or approximately 2%, over fiscal year 2017.

The City's net investment in capital assets is \$8,691,848. This includes land, construction-in-progress, structures and improvements, equipment, distribution and collections systems, and other infrastructure, less any outstanding debt used to acquire these assets and the related deferred outflows/inflows of resources. The City uses these capital assets to provide services to citizens, and consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves generally are not used to liquidate these liabilities.

Restricted Net Position is \$1,498,156, or approximately 17% of total Net Position, representing resources that are subject to external restrictions on how they may be used. The amount of (\$1,476,674) represents the Unrestricted Net Position deficit. This deficit is mainly the result of the combined Pension Liabilities of \$2,532,590 reported in accordance with GASB Statement Nos. 68 and 73, and the Net Other Postemployment Benefits (OPEB) Liability of \$550,444 reported in accordance with GASB Statement No. 75 (GASB 75). Additional information regarding pension matters, including the City's funding policy, can be found in Note 12, and additional OPEB information can be found in Note 13.

Total Net Position resulting from governmental activities decreased by \$285,846, or approximately 7%. The Net Investment in Capital Assets increased by \$87,501, or approximately 2%, comprised of a net increase in capital assets for governmental activities of \$122,913, a net increase in debt used to acquire these assets of \$47,782, and an increase in related deferred outflows of resources of \$12,370 (See Notes 4 and 5). Unrestricted Net Position for governmental activities decreased by \$138,746, or approximately 9%. This was primarily due to the restatement of Net Position due to the implementation of GASB 75.

Total Net Position resulting from business-type activities increased by \$82,731, or approximately 2%. Unrestricted Net Position decreased by \$53,878, or approximately 18%, which was primarily attributed to the Sewer and Water Utility Funds' use of Unrestricted Net Position to fund additions to capital projects, combined with the implementation of GASB 75.

**CITY OF SAN DIEGO'S CONDENSED STATEMENT OF ACTIVITIES**  
(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017 <sup>1</sup>	2018	2017 <sup>1</sup>	2018	2017 <sup>1</sup>
Revenues:						
Program Revenues						
Charges for Services .....	\$ 482,981	\$ 489,153	\$ 1,126,500	\$ 1,034,870	\$ 1,609,481	\$ 1,524,023
Operating Grants and Contributions .....	134,682	101,426	9,958	10,088	144,640	111,514
Capital Grants and Contributions .....	26,218	75,694	70,109	56,837	96,327	132,531
General Revenues						
Property Taxes .....	548,509	520,186	—	—	548,509	520,186
Transient Occupancy Taxes .....	231,863	222,228	—	—	231,863	222,228
Sales Taxes - Shared State Revenue .....	323,113	310,935	—	—	323,113	310,935
Franchises .....	96,313	86,992	—	—	96,313	86,992
Other Local Taxes .....	52,603	36,310	—	—	52,603	36,310
Investment Income .....	13,337	7,846	8,435	3,330	21,772	11,176
Other .....	100,484	164,661	13,758	7,076	114,242	171,737
Total Revenues .....	<u>2,010,103</u>	<u>2,015,431</u>	<u>1,228,760</u>	<u>1,112,201</u>	<u>3,238,863</u>	<u>3,127,632</u>
Expenses:						
General Government and Support .....	364,533	344,484	—	—	364,533	344,484
Public Safety-Police .....	542,128	501,314	—	—	542,128	501,314
Public Safety-Fire and Life Safety and Homeland Security .....	321,016	290,178	—	—	321,016	290,178
Parks, Recreation, Culture and Leisure .....	383,122	355,714	—	—	383,122	355,714
Transportation .....	264,278	239,099	—	—	264,278	239,099
Sanitation and Health .....	101,440	103,039	—	—	101,440	103,039
Neighborhood Services .....	91,686	82,384	—	—	91,686	82,384
Interest on Debt Service .....	36,515	36,943	—	—	36,515	36,943
Sewer Utility .....	—	—	351,145	339,189	351,145	339,189
Water Utility .....	—	—	532,056	477,037	532,056	477,037
Airports .....	—	—	7,415	6,306	7,415	6,306
Development Services .....	—	—	78,287	69,949	78,287	69,949
Environmental Services .....	—	—	41,397	34,253	41,397	34,253
Golf Course .....	—	—	21,072	19,925	21,072	19,925
Recycling .....	—	—	25,002	19,444	25,002	19,444
San Diego Convention Center Corporation .....	—	—	37,986	36,760	37,986	36,760
Total Expenses .....	<u>2,104,718</u>	<u>1,953,155</u>	<u>1,094,360</u>	<u>1,002,863</u>	<u>3,199,078</u>	<u>2,956,018</u>
Change in Net Position Before Transfers .....	(94,615)	62,276	134,400	109,338	39,785	171,614
Transfers .....	(2,814)	(3,207)	2,814	3,207	—	—
Change in Net Position .....	(97,429)	59,069	137,214	112,545	39,785	171,614
Net Position - July 1, as Restated .....	<u>4,180,364</u>	<u>4,309,712</u>	<u>4,493,181</u>	<u>4,435,119</u>	<u>8,673,545</u>	<u>8,744,831</u>
Net Position - June 30 .....	<u>\$ 4,082,935</u>	<u>\$ 4,368,781</u>	<u>\$ 4,630,395</u>	<u>\$ 4,547,664</u>	<u>\$ 8,713,330</u>	<u>\$ 8,916,445</u>

<sup>1</sup>Fiscal year 2017 amounts have been reclassified to conform with current year presentation. Amounts have not been restated for the effects of GASB Statement No. 75 implementation.

## GOVERNMENTAL ACTIVITIES

Governmental activities decreased the City's net position by \$97,429 during fiscal year 2018. Variances from fiscal year 2017 of more than 10% and \$5,000 are discussed below.

- Operating Grants and Contributions increased by \$33,256, or approximately 33%. This was primarily due to increased expenditures for several reimbursement grants, including the Community Development Block Grant (CDBG), HOME Investment Partnerships Grant, and the Defense Industry Adjustment (DIA) Grant.
- Capital Grants and Contributions revenue decreased by \$49,476, or approximately 65%, primarily due to a decrease in the amount of land, buildings, and infrastructure conveyed to the City from the Successor Agency.
- Franchise Revenue increased by \$9,321, or approximately 11%. This was primarily the result of an increase in San Diego Gas & Electric (SDG&E) and Refuse Collection franchise revenues.
- Other Local Taxes increased by \$16,293, or approximately 45%. Pursuant to the Road Repair and Accountability Act of 2017 (also known as SB1), the City adjusted the recognition of gas tax revenue to 60 days, corresponding with the State's updated point of sale transaction information. This resulted in an increased amount of Gas Tax being recorded in fiscal year 2018 compared to 2017. Also contributing to the increase was the receipt of the first of three loan repayments to make up for previous years' shortfalls of gas tax revenue from the State.
- Investment Income increased by \$5,491, or approximately 70%, primarily due to the net change in unrealized gains and losses and rising interest rates.
- Other Revenues decreased by \$64,177, or approximately 39%. This was primarily the result of a reduction in land sales in fiscal year 2018 compared to 2017, combined with a decrease in Facilities Benefit Assessment (FBA) revenues for several communities including Otay Mesa, North University City, Pacific Highlands Ranch, and Black Mountain Ranch. In addition, there were reductions in insurance reimbursements and legal settlements, as well as a reduction in revenue recognized from the transfer of notes receivables from the Successor Agency to the Low-Moderate Income Housing Fund.
- Public Safety-Fire and Life Safety and Homeland Security expenses increased by \$30,838, or approximately 11%, primarily due to amended labor provisions, increased pension expense and air operations support.
- Transportation expenses increased by \$25,179, or approximately 11%, primarily due to the receipt of new SB1 gas tax revenue, which allowed the City to take on additional street maintenance projects and continue the Mayor's 1,000 Miles of Street Repair initiative, combined with increased pension expense.
- Neighborhood Services expense increased by \$9,302, or approximately 11%. This was primarily attributed to the remittance of program income to the Department of Housing and Urban Development (HUD). In addition, the HOME Investment Partnerships Program grant expenditures increased due to fiscal year 2018 being the final year of the grant.

## BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net position by \$137,214 during fiscal year 2018. Variances from fiscal year 2017 of more than 10% and \$5,000 are discussed below.

- Capital Grants and Contributions revenue increased by \$13,272, or approximately 23%, primarily due to the Water Utility Fund recording additional donated assets related to the San Vicente Dam's Emergency Storage Project, previously conveyed to the City from the County Water Authority, that raised the height of the dam and increased the reservoir's capacity.
- Investment Income increased by \$5,105, or approximately 153%, primarily due to the net change in unrealized gains and losses and rising interest rates.
- Other Revenues increased by \$6,682, or approximately 94%, primarily due to the Water Utility Fund receiving reimbursement from the Sweetwater Authority for a prior year payment related to its desalination facility.
- Water Utility expense increased by \$55,019, or approximately 12%, due to several factors including: an increase in the retirement of capital assets; an increase in interest expense related to a capitalized interest adjustment; an increase in pension expense; and changes in the City's net OPEB liability (See Note 13).
- Development Services expense increased by \$8,338, or approximately 12%, primarily due to changes in the City's net OPEB liability (See Note 13), an increase in office space rent due to the acquisition of 101 West Ash Street, and an increase in pension expense.
- Environmental Services expense increased by \$7,144, or approximately 21%, primarily due to an increase in the landfill closure and postclosure care liability, combined with expenses related to landfill odor mitigation.
- Recycling expense increased by \$5,558, or approximately 29%, primarily due to increased pension expense.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, governmental fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported.

As of the end of fiscal year 2018, the City's governmental funds reported combined ending fund balances of \$2,008,822, a decrease of \$82,932 from fiscal year 2017. The General Fund and Other Governmental Funds had unassigned fund balances of \$95,434 and (\$43,514), respectively, with a combined unassigned fund balance of \$51,920. The General Fund unassigned fund balance of \$95,434 includes the Stability Reserve of \$84,600. The restricted, committed, and assigned fund balances are (1) to liquidate contracts and purchase orders of the period, (2) to pay debt service, (3) to generate income to pay for the perpetual funding of various programs, (4) for use in the subsequent year's budget, (5) for emergency reserves, or (6) for a variety of other purposes, and are not available for new spending.

The General Fund is the principal operating fund of the City. Total Fund Balance for the General Fund was \$353,804. General Fund revenues totaled \$1,502,016, which was an increase of \$63,122, primarily due to higher revenues from Property Taxes and Other Local Taxes. In addition,

Charges for Current Services increased mainly due to the Transient Occupancy Tax Fund receipts for safety and maintenance of visitor related facilities. General Fund expenditures totaled \$1,538,357, which was an increase of \$62,722. This was mainly due to an increase in pension related expenditures, offset by a decrease in capital outlay related to the capital lease of 101 West Ash Street in fiscal year 2017.

## PROPRIETARY FUNDS

The City's proprietary fund statements provide the same type of information found in business-type activities in the government-wide financial statement, but in more detail.

As of the end of fiscal year 2018, total Net Position for the Sewer Utility Fund was \$2,487,916, an increase of \$26,178, or approximately 1% over fiscal year 2017. This net increase was comprised of a (\$19,810) restatement of Net Position due to the implementation of GASB Statement No. 75 (See Note 23) and an increase in Net Position of \$45,988. The Net Investment in Capital Assets increased by \$89,756, or approximately 4%. This was comprised of: a net increase in capital assets of \$30,154 mainly in the construction-in-progress and infrastructure categories; a net decrease in capital related debt of \$69,115; and a decrease in associated deferred outflows of resources of \$9,513. Unrestricted Net Position was \$139,935, a decrease of \$63,765, or approximately 31% from fiscal year 2017. This was primarily due to the use of Unrestricted Net Position to fund additions to capital assets. Total Operating Income was \$64,419, an increase of \$2,748, or 4% over fiscal year 2017.

The Water Utility Fund had total Net Position of \$2,056,152 at the end of fiscal year 2018, an increase of \$70,453, or approximately 4% over fiscal year 2017. This net increase was comprised of a (\$18,636) restatement of Net Position due to the implementation of GASB Statement No. 75 (See Note 23) and an increase in Net Position of \$89,089. The Net Investment in Capital Assets increased by \$46,058, or approximately 2%. This was comprised of: a net increase in capital assets of \$151,073 primarily in the construction in progress and infrastructure categories; a net increase in capital related debt of \$101,632 which was primarily due to the issuance of commercial paper; and a decrease in associated deferred inflows/outflows of resources of \$3,383. Unrestricted Net Position was \$128,957, an increase of \$24,404, or approximately 23% from fiscal year 2017. Total Operating Income was \$79,086, an increase of \$36,025 over fiscal year 2017. This was primarily due to a 6.9% water rate increase effective in August 2017 and an increase in the volume of water sold as a result of customer account growth, which were partially offset by increases in the cost of water purchased from the San Diego County Water Authority, increased pension expense, and changes in the City's Net OPEB Liability.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The following General Fund budgetary highlights include only those funds associated with General Fund operations as reported in the City's budget, and exclude the additional budgeted funds included with the General Fund for GAAP reporting purposes. The final budget for General Fund expenditures and transfers out was \$7,293 higher than the original budget due to increases/(decreases) in appropriations primarily attributed to the following:

- \$11,600 increase for contractual services for air operations support and overtime expenditures in the Fire-Rescue Department
- \$4,040 increase for contractual expenditures associated with the Hepatitis A efforts, bridge shelters, and increased water usage in the Parks and Recreation Department
- \$1,400 increase for Transportation and Storm Water contracts related to equipment rental and fleet vehicles
- \$1,120 increase to Real Estate Assets Department to cover expenses associated with the unforeseen relocation from the Executive Complex property
- (\$13,744) decrease in Citywide Program Expenditures associated with a special election, debt service payments and office space rent

Actual revenues earned in the General Fund were \$12,488 higher than budgeted. Franchise Fees were over budget by \$5,128, primarily due to increases in SDG&E and refuse hauler franchise fee revenues. Revenue from Use of Money and Property was over budget by \$6,846, primarily due to an increase in rent from non-General Fund departments, higher rates of return on investments and higher rent from Mission



Bay Park properties. Revenue from Other Agencies was over budget by \$2,568, primarily due to higher than expected reimbursements for fire services and police 911 dispatch services from the State. Other Revenue was over budget by \$1,714, primarily due to escheated money being higher than expected. These increases were partially offset by Sales Tax coming in under budget by \$2,422 due to delayed distribution from the California Department of Tax and Fee Administration, beyond the City's 60-day accrual policy. Fines, Forfeitures and Penalties also came in under budget by \$1,168, primarily due to a decrease in parking citation revenues.

Actual expenditures for the General Fund were \$19,562 under budget. General Government and Support was under budget by \$15,095 primarily due to lower than anticipated citywide expenses. Public Safety-Fire and Life Safety and Homeland Security was under budget by \$1,371 primarily due to lower than anticipated fringe costs in the Fire-Rescue Department. Sanitation and Health was under budget by \$1,168 primarily due to lower than anticipated supply costs for Storm Water and lower than anticipated IT expenses in the Environmental Services Department.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### CITY OF SAN DIEGO'S CAPITAL ASSETS (Net of Accumulated Depreciation) (Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land and Rights of Way	\$ 1,888,957	\$ 1,883,487	\$ 106,732	\$ 97,611	\$ 1,995,689	\$ 1,981,098
Easements	5,684	5,228	2,157	2,520	7,841	7,748
Artwork/Historical Treasures	5,052	—	1,875	—	6,927	—
Construction in Progress	450,536	462,111	567,009	405,589	1,017,545	867,700
Structures and Improvements	869,978	866,531	1,399,304	1,425,351	2,269,282	2,291,882
Equipment	191,880	166,696	137,013	128,799	328,893	295,495
Intangible Equipment	24,277	14,816	36,056	10,669	60,333	25,485
Distribution and Collection Systems	—	—	3,926,410	3,907,331	3,926,410	3,907,331
Infrastructure	1,640,943	1,555,525	—	—	1,640,943	1,555,525
Totals	<u>\$ 5,077,307</u>	<u>\$ 4,954,394</u>	<u>\$ 6,176,556</u>	<u>\$ 5,977,870</u>	<u>\$ 11,253,863</u>	<u>\$ 10,932,264</u>

## CAPITAL ASSETS

In accordance with Governmental Accounting Standards Board (GASB) Statement Nos. 34 and 51, all major assets such as land, structures, streets, signals, bridges, storm drains, distribution and collection systems for water and sewer, and intangible assets are capitalized by the City in the government-wide statements. While capital assets of both governmental and proprietary funds are capitalized at the government-wide level, only the proprietary funds report capital assets at the fund level. Governmental funds are reported on a modified accrual basis. Differences between reporting at the fund level and government-wide level for these governmental assets are explained in both the reconciliation and the accompanying notes to the basic financial statements.

The City's investment in capital assets (including infrastructure) for governmental and business-type activities as of June 30, 2018 was \$11,253,863 (net of accumulated depreciation/amortization). There was an overall increase in the City's investment in capital assets over fiscal year 2017 of \$321,599. Readers interested in more detailed information on capital asset activity should refer to Note 4.

## HIGHLIGHTS OF FISCAL YEAR 2018 CAPITAL IMPROVEMENT PROGRAM (CIP) ACTIVITIES

### Governmental Activities

- The asphalt overlay of approximately 88 miles of roads citywide was completed during fiscal year 2018. These projects provided for resurfacing and reconstruction of City streets, in order to maintain the streets in serviceable condition and mitigate roadway deterioration. These projects were funded primarily with lease revenue bonds. Fiscal year 2018 expenditures totaled \$26,606.
- The City implemented the Infrastructure Asset Management (IAM) San Diego Project in fiscal year 2018. The IAM San Diego project is a citywide strategic initiative to develop and implement an integrated software solution that will improve the City's management of infrastructure assets. Fiscal year 2018 expenditures for this project totaled \$19,885.
- The annual allocation for drainage projects provides for reconstruction and replacement of failing drainage facilities citywide. There are currently over 900 miles of storm drains in the City of San Diego. Fiscal year 2018 expenditures for drainage projects totaled \$15,725.
- The annual allocation for Energy Improvement projects provides for energy efficiency improvements in City facilities citywide, including the installation of smart street lights. Fiscal year 2018 expenditures for Energy Improvement projects totaled \$14,065.
- Construction began on the Mission Hills-Hillcrest Library, which will provide an approximately 15,000 square-foot library for the local community. This project is expected to be completed during fiscal year 2019. Fiscal year 2018 expenditures for this project totaled \$10,787.
- Phase 1 of construction for the SR163/Friars Road Project began in fiscal year 2018 and is anticipated to be completed in fiscal year 2020. This project will provide for the construction of a new southbound 163 to westbound Friars Road off-ramp, and the widening of the Friars Road overcrossing to eight lanes. Fiscal year 2018 expenditures for this project totaled \$9,174.
- Construction continued on Cesar Solis Community Park. This project included an acquisition of land during fiscal year 2010, and the design was completed in fiscal year 2011. Construction was delayed due to a pending property acquisition and reimbursement agreement. This park will include fifteen acres with an additional five acres of joint use with the adjacent Ocean View Hills School. Amenities include lighted ball fields, a comfort station, a children's play area, and picnic areas. It is anticipated to be completed in fiscal year 2019. The fiscal year 2018 expenditures for this project totaled \$8,202.

### Business-Type Activities

- The Sewer Utility Fund incurred capital expenditures of approximately \$85,600 related to CIP, of which the Metropolitan System CIP incurred approximately \$35,015, and the Municipal System CIP incurred approximately \$50,585. The following major projects continued during fiscal year 2018: Surge Protection and Backup Power of Pump Station 2; North City Water Reclamation Plant Expansion; IAM San Diego Project; and the continued replacement of sewer mains and upgrades to the sewer infrastructure. Capital write-offs (net) for fiscal year 2018 totaled approximately \$15,363 and were primarily related to losses on abandoned and otherwise expensed projects, and retirements of distribution and collection system assets.

- The Water Utility Fund incurred capital expenditures of approximately \$173,000 related to CIP. The following major projects continued during fiscal year 2018: Miramar Clearwell Improvements; North City Pure Water Facility; Upas Street Pipeline Replacement; and the continued replacement of water mains and upgrades to water infrastructure. Capital Asset write-offs (net) for fiscal year 2018 totaled approximately \$15,327 and were primarily related to losses on abandoned projects, capitalized interest adjustments, and retirements of equipment and distribution and collection system assets.
- San Diego Convention Center Corporation completed the Sails Pavilion roof fabric replacement project. The fiscal year 2018 expenditures for this project totaled approximately \$9,315.

## COMMITMENTS AND RESTRICTIONS

The City has contractual commitments related to its CIP program which have been encumbered in the applicable funds. The following table provides a breakdown of these commitments:

General Fund <sup>1</sup>	\$ 4,813
Nonmajor Governmental Funds	203,670
Sewer Utility	68,799
Water Utility	161,378
Nonmajor Enterprise Funds	22,727
Internal Service Funds	594
Total Contractual Commitments	<u>\$ 461,981</u>

<sup>1</sup> General Fund amount includes funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB 54.

Total Contractual Commitments increased by \$171,390, or 59%, from fiscal year 2017, primarily due to the ramping up of Public Utility projects, including the Pure Water Program, and awarding of contracts related to the West Mission Bay Bridge Replacement Project.

In addition, there are restrictions on City financial resources externally imposed by creditors, grantors, contributors, laws or regulation of other governments, or constraints imposed by law through constitutional provision or enabling legislation, including the City Charter. Note 22 identifies restrictions on governmental fund balances. Additional restrictions exist related to enterprise funds when revenues of the fund can only be used for costs related to the particular enterprise.

**LONG-TERM DEBT****CITY OF SAN DIEGO'S OUTSTANDING DEBT  
(Dollars in Thousands)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Capital Lease Obligations	\$ 197,649	\$ 165,626	\$ 4,624	\$ 6,091	\$ 202,273	\$ 171,717
QECB Lease Obligations	7,578	8,429	—	—	7,578	8,429
Contracts Payable	—	—	2,194	2,888	2,194	2,888
Notes Payable	—	—	11	13	11	13
Loans Payable	3,511	4,144	203,273	191,658	206,784	195,802
Section 108 Loans Payable	2,872	3,197	—	—	2,872	3,197
Commercial Paper Notes <sup>1</sup>	—	—	168,213	—	168,213	—
Revenue Bonds/Lease Revenue Bonds	543,195	570,460	1,402,850	1,489,565	1,946,045	2,060,025
Tobacco Settlement Asset-Backed Bonds	89,195	64,570	—	—	89,195	64,570
<b>Totals</b>	<b>\$ 844,000</b>	<b>\$ 816,426</b>	<b>\$ 1,781,165</b>	<b>\$ 1,690,215</b>	<b>\$ 2,625,165</b>	<b>\$ 2,506,641</b>

<sup>1</sup> Pursuant to GASB 62, in fiscal year 2018, Commercial Paper Notes have been recategorized from Short-Term to Long-Term Debt. See Note 6 and Note 8 for more information.

At the end of fiscal year 2018, the City, including blended component units, had total debt outstanding of \$2,625,165. This amount represents lease revenue bonds, tobacco settlement asset-backed bonds, contracts payable, notes payable, loans payable, qualified energy conservation bonds (QECBs), commercial paper notes payable, and capital lease obligations.

Governmental Activities

Total principal payments or reductions of long-term debt were \$245,841. Included in this amount was \$32,945 for outstanding bond principal payments, \$196,870 for bond refundings, \$958 for loans payable, \$851 for qualified energy conservation bonds, and \$14,217 for capital lease obligation payments.

Readers interested in more detailed information regarding governmental activities long-term liabilities should refer to Note 5.

Business-Type Activities

The City's Sewer Utility Fund received the following State Revolving Fund (SRF) loan disbursements from the California State Water Resources Control Board:

- \$2,908 for the Metro Biosolids Center (MBC) Odor Control Facilities Upgrades Project
- \$2,862 for the Pump Station 2 Power Reliability and Surge Protection Project
- \$4,541 for the MBC Chemical Systems Improvement, Phase II Project

The City's Water Utility Fund received the following SRF loan disbursements from the California State Water Resources Control Board:

- \$10,482 for the University Avenue Pipeline Replacement Project
- \$2,564 for the 69th Street and Mohawk Pump Station Project

Total principal payments or reductions of long-term debt were \$100,620. Included in this amount was \$86,715 for outstanding bond principal payments, \$11,742 for loans payable, \$1,467 for capital lease obligation payments, \$694 for contracts payable, and \$2 for SDCCC's notes payable. Readers interested in more detailed information regarding business-type activities long-term liabilities should refer to Note 6.

As of the issuance of this report, the City's Implied General Obligation (GO) / Issuer Credit Ratings and credit ratings on outstanding Lease Revenue Bonds and Revenue Bonds are as follows:

	Fitch Ratings	Moody's Investors Service	Standard & Poor's
Implied GO/Issuer Credit Rating	AA	Aa2	AA
Outlook	Stable	Stable	Positive
Lease Revenue Bonds	AA-	--	AA-
Outlook	Stable		Positive
Wastewater System Bonds (Senior Bonds)	AA	Aa2	AA+
Outlook	Stable	Stable	Stable
Water System Bonds (Subordinate Bonds)	AA-	Aa3	—
Outlook	Stable	Stable	—

Additional information on the City's long-term debt can be found in the accompany notes to the financial statements.

## OTHER INFORMATION

### Utilization of Pension Payment Stabilization Reserve for Fiscal Year 2018 Actuarially Determined Contribution

The fiscal year 2018 adopted budget included full utilization of the Pension Payment Stabilization Reserve balance of \$20,536 to minimize the impact of the significant increase in the City's July 1, 2017 Actuarially Determined Contribution (ADC) of \$324,500. This reserve was established in fiscal year 2016 to mitigate service delivery risk due to unanticipated increases in the ADC. The Fiscal Year 2020-2024 Five-Year Financial Outlook Report included a plan to replenish the Pension Reserve on an incremental basis of 20.0% per year to achieve the full reserve target by Fiscal Year 2023. The Fiscal Year 2019 Adopted Budget included \$4.8 million, comprising 20.0% of the Pension Reserve for the General Fund (\$3.6 million), plus 20.0% of the Pension Reserve for the Enterprise funds (\$1.2 million).

### San Diego Gas and Electric (SDG&E) Dispute

In June 2018, SDG&E informed the City that it was stopping all design work on utility relocations for the Pure Water Program, pending advance payment for such work from the City. SDG&E argued that it was not responsible for the costs of relocating any of its facilities under its electric or natural gas franchise agreements with the City, on the basis that such work was proprietary and not governmental. The City Attorney's Office responded to SDG&E, expressing the City's strong disagreement with SDG&E's position based on the plain language in those franchise agreements, which the City believes requires SDG&E to relocate its facilities located in the public right-of-way at its own expense when necessary to accommodate City water projects, including the Pure Water Program. Absent and until a resolution with SDG&E is reached, to avoid project delays, the budgeted cost of all Water System capital improvement projects including, but not limited to, the Pure Water Program, includes the cost of any relocation of SDG&E facilities. The Public Utilities Department has projected a total of \$75.0 million of advance payments to SDG&E for facilities relocations in fiscal years 2019 and 2020. The City maintains its position that SDG&E should bear the costs of its facilities relocations from the public right-of-way for all City water projects and reserves the right to seek reimbursement from SDG&E through all legal means available.

### Election Results

On November 6, 2018, voters in the City of San Diego approved Measure G, "SDSU West Campus Research Center, Stadium, and River Park Initiative". This measure amends the San Diego Municipal Code to authorize the City to sell 132 acres of City-owned real property, which includes SDCCU Stadium, to San Diego State University (SDSU), a California State University, or any SDSU auxiliary organization, entity, or affiliate. Also on November 8, 2018, voters in their respective districts elected new Councilmembers Jennifer Campbell in District 2, Monica Montgomery in District 4, and Vivian Moreno in in District 8. Councilmember Chris Cate was re-elected in District 6.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be sent to the Department of Finance at [DOF@sanidiego.gov](mailto:DOF@sanidiego.gov). This financial report, and several other finance related reports, is also available on the City's website at [www.sandiego.gov](http://www.sandiego.gov), under the Department of Finance. Additional information intended for the investor community is available on the Investor Relations page also located on the City's website listed above.



**BASIC FINANCIAL STATEMENTS**









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**STATEMENT OF NET POSITION**  
**June 30, 2018**  
(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	San Diego Housing Commission
<b>ASSETS</b>				
Cash and Investments .....	\$ 1,553,482	\$ 757,566	\$ 2,311,048	\$ 152,839
Receivables: .....				
Taxes - Net of Allowance for Uncollectibles .....	166,019	—	166,019	—
Accounts - Net of Allowance for Uncollectibles .....	61,023	150,233	211,256	18,417
Claims .....	30,380	—	30,380	—
Contributions .....	1,881	—	1,881	—
Special Assessments .....	121	—	121	—
Notes .....	265,041	—	265,041	329,263
Loans .....	180,472	—	180,472	—
Accrued Interest .....	3,705	4,025	7,730	45,449
Grants .....	26,475	6,323	32,798	—
From Other Agencies .....	10,404	—	10,404	—
Advances to Other Agencies .....	4,394	—	4,394	—
Internal Balances .....	(227)	227	—	—
Inventories .....	1,351	66,469	67,820	—
Land Held for Resale .....	20,778	—	20,778	—
Prepaid Expenses .....	325	3,223	3,548	12,265
Restricted Cash and Investments .....	91,542	148,810	240,352	7,475
Other Assets .....	—	706	706	3,941
Capital Assets - Non-Depreciable .....	2,350,229	677,773	3,028,002	79,501
Capital Assets - Depreciable .....	2,727,078	5,498,783	8,225,861	201,908
<b>TOTAL ASSETS</b> .....	<b>7,494,473</b>	<b>7,314,138</b>	<b>14,808,611</b>	<b>851,058</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on Refunding .....	15,125	128,385	143,510	—
Deferred Outflows Related to Other Postemployment Benefits .....	23,801	6,579	30,380	—
Deferred Outflows Related to Pensions .....	632,142	126,937	759,079	—
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> .....	<b>671,068</b>	<b>261,901</b>	<b>932,969</b>	<b>—</b>
<b>LIABILITIES</b>				
Accounts Payable .....	118,850	116,512	235,362	12,602
Accrued Wages and Benefits .....	33,862	7,223	41,085	1,424
Other Accrued Liabilities .....	2,665	17,142	19,807	11,707
Interest Accrued on Long-Term Debt .....	4,939	19,346	24,285	4,367
Long-Term Liabilities Due Within One Year .....	175,861	132,355	308,216	5,541
Due to Other Agencies .....	32	—	32	—
Unearned Revenue .....	22,590	32,589	55,179	2,406

**STATEMENT OF NET POSITION**  
**June 30, 2018**  
(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	San Diego Housing Commission
<b>LIABILITIES (Continued)</b>				
Liabilities Payable from Restricted Assets:				
Customer Deposits Payable .....	\$ —	\$ 19,337	\$ 19,337	\$ —
Deposits/Advances from Others .....	—	8,051	8,051	2,110
Long-Term Liabilities Due After One Year:				
Arbitrage Liability .....	—	1,169	1,169	—
Compensated Absences .....	33,161	6,448	39,609	—
Liability Claims .....	288,934	28,013	316,947	—
Reimbursement Agreement Obligations .....	6,749	—	6,749	—
Capital Lease Obligations .....	179,851	3,123	182,974	—
QECB Lease Obligations .....	6,707	—	6,707	—
Contracts Payable .....	—	1,481	1,481	—
Notes Payable .....	—	9	9	181,738
Loans Payable .....	2,860	191,379	194,239	—
Section 108 Loans Payable .....	2,527	—	2,527	—
Commercial Paper Payable .....	—	168,213	168,213	—
Net Bonds Payable .....	636,120	1,525,474	2,161,594	—
Estimated Landfill Closure and Postclosure Care .....	—	53,003	53,003	—
Net Other Postemployment Benefits Liability .....	427,481	122,963	550,444	—
Pension Liabilities .....	2,059,282	473,308	2,532,590	—
<b>TOTAL LIABILITIES</b> .....	<b>4,002,471</b>	<b>2,927,138</b>	<b>6,929,609</b>	<b>221,895</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Gain on Refunding .....	—	2,548	2,548	—
Deferred Inflows Related to Other Postemployment Benefits .....	466	129	595	—
Deferred Inflows Related to Pensions .....	79,669	15,829	95,498	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<b>80,135</b>	<b>18,506</b>	<b>98,641</b>	<b>—</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets .....	4,308,123	4,383,725	8,691,848	107,299
Restricted for:				
Capital Projects .....	462,389	—	462,389	—
Debt Service .....	—	683	683	—
Low-Moderate Income Housing .....	338,828	—	338,828	—
Nonexpendable Permanent Endowments .....	17,836	—	17,836	—
Grants .....	179,469	—	179,469	—
Other .....	492,426	6,525	498,951	213,627
Unrestricted .....	(1,716,136)	239,462	(1,476,674)	308,237
<b>TOTAL NET POSITION</b> .....	<b>\$ 4,082,935</b>	<b>\$ 4,630,395</b>	<b>\$ 8,713,330</b>	<b>\$ 629,163</b>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF ACTIVITIES**  
**Fiscal Year Ended June 30, 2018**  
(Dollars in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government and Support .....	\$ 364,533	\$ 176,366	\$ 17,341	\$ 49
Public Safety - Police .....	542,128	40,738	5,891	233
Public Safety - Fire and Life Safety and Homeland Security .....	321,016	43,814	13,805	84
Parks, Recreation, Culture and Leisure .....	383,122	114,893	9,590	11,599
Transportation .....	264,278	51,422	59,097	14,193
Sanitation and Health .....	101,440	15,625	1,431	60
Neighborhood Services .....	91,686	40,123	27,527	—
Debt Service - Interest .....	36,515	—	—	—
<b>TOTAL GOVERNMENTAL ACTIVITIES .....</b>	<b>2,104,718</b>	<b>482,981</b>	<b>134,682</b>	<b>26,218</b>
<b>Business-Type Activities:</b>				
Sewer Utility .....	351,145	360,710	1,344	22,219
Water Utility .....	532,056	569,524	3,391	42,615
Airports .....	7,415	4,888	467	5,057
Development Services .....	78,287	70,703	—	—
Environmental Services .....	41,397	34,960	—	—
Golf Course .....	21,072	23,502	—	—
Recycling .....	25,002	27,957	1,085	—
San Diego Convention Center Corporation .....	37,986	34,256	3,671	218
<b>TOTAL BUSINESS-TYPE ACTIVITIES .....</b>	<b>1,094,360</b>	<b>1,126,500</b>	<b>9,958</b>	<b>70,109</b>
<b>TOTAL PRIMARY GOVERNMENT .....</b>	<b>\$ 3,199,078</b>	<b>\$ 1,609,481</b>	<b>\$ 144,640</b>	<b>\$ 96,327</b>
<b>Component Unit:</b>				
San Diego Housing Commission	\$ 255,856	\$ 51,311	\$ 240,960	\$ 3,487

**General Revenues:**

Property Taxes .....
Transient Occupancy Taxes .....
Sales Taxes - Shared State Revenue (Unrestricted) .....
Franchises .....
Other Local Taxes .....
Developer Contributions and Fees .....
Grants and Contributions not Restricted to Specific Programs .....
Investment Income .....
Gain on Sale of Capital Assets .....
Miscellaneous .....
Transfers, Net .....
<b>TOTAL GENERAL REVENUES AND TRANSFERS .....</b>
<b>CHANGE IN NET POSITION .....</b>
Net Position at Beginning of Year, as Restated .....
<b>NET POSITION AT END OF YEAR .....</b>

**Net Revenue/(Expense) and Changes in Net Position**

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	San Diego Housing Commission
\$ (170,777)	\$ —	\$ (170,777)	\$ —
(495,266)	—	(495,266)	—
(263,313)	—	(263,313)	—
(247,040)	—	(247,040)	—
(139,566)	—	(139,566)	—
(84,324)	—	(84,324)	—
(24,036)	—	(24,036)	—
(36,515)	—	(36,515)	—
<u>(1,460,837)</u>	<u>—</u>	<u>(1,460,837)</u>	<u>—</u>
—	33,128	33,128	—
—	83,474	83,474	—
—	2,997	2,997	—
—	(7,584)	(7,584)	—
—	(6,437)	(6,437)	—
—	2,430	2,430	—
—	4,040	4,040	—
—	159	159	—
—	<u>112,207</u>	<u>112,207</u>	<u>—</u>
<u>(1,460,837)</u>	<u>112,207</u>	<u>(1,348,630)</u>	<u>—</u>
—	—	—	39,902
548,509	—	548,509	—
231,863	—	231,863	—
323,113	—	323,113	—
96,313	—	96,313	—
52,603	—	52,603	—
82,883	—	82,883	—
833	—	833	—
13,337	8,435	21,772	10,981
809	—	809	3
15,959	13,758	29,717	—
(2,814)	2,814	—	—
<u>1,363,408</u>	<u>25,007</u>	<u>1,388,415</u>	<u>10,984</u>
<u>(97,429)</u>	<u>137,214</u>	<u>39,785</u>	<u>50,886</u>
<u>4,180,364</u>	<u>4,493,181</u>	<u>8,673,545</u>	<u>578,277</u>
<u>\$ 4,082,935</u>	<u>\$ 4,630,395</u>	<u>\$ 8,713,330</u>	<u>\$ 629,163</u>

The accompanying notes are an integral part of the financial statements.

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018  
(Dollars in Thousands)**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments .....	\$ 267,033	\$ 1,143,882	\$ 1,410,915
Receivables:			
Taxes - Net of Allowance for Uncollectibles .....	106,294	59,725	166,019
Accounts - Net of Allowance for Uncollectibles .....	37,274	20,795	58,069
Claims .....	—	30,380	30,380
Special Assessments .....	—	121	121
Notes .....	—	265,041	265,041
Loans .....	—	180,472	180,472
Accrued Interest .....	1,053	2,460	3,513
Grants .....	—	26,198	26,198
From Other Funds .....	27,117	—	27,117
From Other Agencies .....	10,404	—	10,404
Contributions .....	968	—	968
Advances to Other Funds .....	733	—	733
Advances to Other Agencies .....	—	4,394	4,394
Land Held for Resale .....	—	20,778	20,778
Prepaid Items .....	130	195	325
Restricted Cash and Investments .....	6,087	85,455	91,542
<b>TOTAL ASSETS</b> .....	<b>\$ 457,093</b>	<b>\$ 1,839,896</b>	<b>\$ 2,296,989</b>
<b>LIABILITIES</b>			
Accounts Payable .....	\$ 42,769	\$ 67,297	\$ 110,066
Accrued Wages and Benefits .....	31,647	379	32,026
Other Accrued Liabilities .....	1,276	1,259	2,535
Due to Other Funds .....	—	27,117	27,117
Due to Other Agencies .....	9	23	32
Unearned Revenue .....	—	22,590	22,590
Advances from Other Funds .....	—	733	733
<b>TOTAL LIABILITIES</b> .....	<b>75,701</b>	<b>119,398</b>	<b>195,099</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Taxes .....	22,215	32,780	54,995
Unavailable Revenue - Grants .....	—	19,440	19,440
Unavailable Revenue - Other .....	5,373	13,260	18,633
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<b>27,588</b>	<b>65,480</b>	<b>93,068</b>

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018  
(Dollars in Thousands)**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>			
Nonspendable .....	863	18,042	18,905
Restricted .....	132,307	1,582,579	1,714,886
Committed .....	100,483	97,911	198,394
Assigned .....	24,717	—	24,717
Unassigned .....	95,434	(43,514)	51,920
<b>TOTAL FUND BALANCES</b> .....	<b>353,804</b>	<b>1,655,018</b>	<b>2,008,822</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> .....	<b>\$ 457,093</b>	<b>\$ 1,839,896</b>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported at the fund level.	4,930,839
Certain assets and deferred outflows of resources are not financial resources (uses), and therefore, are not reported at the fund level.	653,012
Unavailable revenues are not financial resources, and therefore, are reported as deferred inflows of resources.	93,068
Internal service funds are used by management to charge the costs of activities such as Fleet Operations, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of internal service funds are included in governmental activities on the Statement of Net Position.	160,720
Certain liabilities and deferred inflows of resources, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(3,763,526)
Net Position of Governmental Activities (page 51)	<b>\$ 4,082,935</b>

**The accompanying notes are an integral part of the financial statements.**

**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property Taxes .....	\$ 535,481	\$ 13,389	\$ 548,870
Special Assessments .....	—	63,870	63,870
Sales Taxes - Shared State Revenue .....	282,321	31,702	314,023
Transient Occupancy Taxes .....	121,904	109,959	231,863
Franchises .....	96,208	63,977	160,185
Other Local Taxes .....	52,608	—	52,608
Licenses and Permits .....	22,000	86,516	108,516
Fines, Forfeitures and Penalties .....	30,708	1,449	32,157
Revenue from Use of Money and Property .....	71,994	31,752	103,746
Revenue from Federal Agencies .....	2,053	52,283	54,336
Revenue from Other Agencies .....	10,012	25,658	35,670
Revenue from Private Sources .....	1,225	8,123	9,348
Charges for Current Services .....	263,266	26,465	289,731
Other Revenue .....	12,236	4,068	16,304
<b>TOTAL REVENUES</b> .....	<u>1,502,016</u>	<u>519,211</u>	<u>2,021,227</u>
<b>EXPENDITURES</b>			
Current:			
General Government and Support .....	333,591	29,535	363,126
Public Safety - Police .....	467,555	6,414	473,969
Public Safety - Fire and Life Safety and Homeland Security .....	273,220	12,347	285,567
Parks, Recreation, Culture and Leisure .....	167,965	154,502	322,467
Transportation .....	121,837	54,094	175,931
Sanitation and Health .....	91,166	4,200	95,366
Neighborhood Services .....	33,650	64,328	97,978
Capital Outlay .....	34,602	218,647	253,249
Debt Service:			
Principal Retirement .....	7,058	33,903	40,961
Cost of Issuance .....	—	1,500	1,500
Interest .....	7,713	47,281	54,994
Payment to Refunded Bond Escrow Agent .....	—	13,125	13,125
<b>TOTAL EXPENDITURES</b> .....	<u>1,538,357</u>	<u>639,876</u>	<u>2,178,233</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b> .....	<u>(36,341)</u>	<u>(120,665)</u>	<u>(157,006)</u>



**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Proprietary Funds .....	\$ —	\$ 61	\$ 61
Transfers from Other Funds .....	47,231	95,769	143,000
Transfers to Proprietary Funds .....	(1,862)	(1,215)	(3,077)
Transfers to Other Funds .....	(44,319)	(98,681)	(143,000)
Payment to Refunded Bond Escrow Agent .....	—	(183,745)	(183,745)
Proceeds from the Sale of Capital Assets .....	—	2,037	2,037
Capital Lease Proceeds .....	15,636	16,191	31,827
Lease Revenue Bonds Issued .....	—	129,320	129,320
Tobacco Settlement Bonds Issued .....	—	97,855	97,855
Discount on Bonds Issued .....	—	(204)	(204)
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>16,686</b>	<b>57,388</b>	<b>74,074</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>(19,655)</b>	<b>(63,277)</b>	<b>(82,932)</b>
Fund Balances at Beginning of Year .....	373,459	1,718,295	2,091,754
<b>FUND BALANCES AT END OF YEAR .....</b>	<b>\$ 353,804</b>	<b>\$ 1,655,018</b>	<b>\$ 2,008,822</b>

The accompanying notes are an integral part of the financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Fiscal Year Ended June 30, 2018  
(Dollars in Thousands)**

Net Change in Fund Balances of Governmental Funds (page 57)	\$ (82,932)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Donated assets are not financial resources, and therefore, are not reported in the funds. This is the amount by which capital outlays and donated assets exceeded depreciation in the current period.	118,646
The net effect of various miscellaneous transactions involving capital assets (e.g., retirements and transfers) is to decrease net position.	(8,121)
Revenues available to liquidate liabilities of the current period were recognized in the governmental funds during the current year; however, such amounts were recognized as revenue in the Statement of Activities in the prior year.	11,436
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(21,171)
Some expenses reported in the Statement of Activities do not require the use of current financial resources (e.g., compensated absences, net pension liability), and therefore are not accrued as expenditures in governmental funds.	(116,063)
Internal service funds are used to charge the costs of activities such as Fleet Operations, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The net income of certain internal service activities is reported with governmental activities.	776
Change in Net Position of Governmental Activities (page 53)	<u>\$ (97,429)</u>

**The accompanying notes are an integral part of the financial statements.**



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**PROPRIETARY FUNDS**  
**STATEMENT OF FUND NET POSITION**  
 June 30, 2018  
 (Dollars in Thousands)

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Sewer Utility</b>	<b>Water Utility</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>ASSETS</b>					
Current Assets:					
Cash and Investments .....	\$ 320,644	\$ 260,037	\$ 174,117	\$ 754,798	\$ 145,335
Receivables:					
Accounts - Net of Allowance for Uncollectibles .....	49,253	86,118	14,862	150,233	2,954
Contributions .....	—	—	—	—	913
Accrued Interest .....	1,758	1,285	969	4,012	205
Grants .....	—	1,227	5,096	6,323	277
Inventories .....	—	66,013	38	66,051	1,769
<b>Total Current Assets .....</b>	<b>371,655</b>	<b>414,680</b>	<b>195,082</b>	<b>981,417</b>	<b>151,453</b>
Non-Current Assets:					
Restricted Cash and Investments .....	69,772	23,951	55,087	148,810	—
Prepaid Expenses .....	—	—	3,223	3,223	—
Other Assets .....	—	—	706	706	—
Capital Assets - Non-Depreciable .....	210,690	440,538	26,545	677,773	3,849
Capital Assets - Depreciable .....	2,975,500	2,414,208	109,075	5,498,783	142,619
<b>Total Non-Current Assets .....</b>	<b>3,255,962</b>	<b>2,878,697</b>	<b>194,636</b>	<b>6,329,295</b>	<b>146,468</b>
<b>TOTAL ASSETS .....</b>	<b>3,627,617</b>	<b>3,293,377</b>	<b>389,718</b>	<b>7,310,712</b>	<b>297,921</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Loss on Refunding .....	73,293	55,092	—	128,385	—
Deferred Outflows Related to Other Postemployment Benefits .....	1,949	2,406	2,224	6,579	937
Deferred Outflows Related to Pensions .....	39,585	48,298	39,054	126,937	17,119
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES .....</b>	<b>114,827</b>	<b>105,796</b>	<b>41,278</b>	<b>261,901</b>	<b>18,056</b>

**PROPRIETARY FUNDS**  
**STATEMENT OF FUND NET POSITION**  
June 30, 2018  
(Dollars in Thousands)

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Sewer Utility</b>	<b>Water Utility</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable .....	\$ 23,163	\$ 81,376	\$ 11,685	\$ 116,224	\$ 9,072
Accrued Wages and Benefits .....	2,499	2,204	2,520	7,223	1,836
Other Accrued Liabilities .....	9,690	4,599	2,853	17,142	130
Interest Accrued on Long-Term Debt .....	5,547	13,799	—	19,346	233
Long-Term Liabilities Due Within One Year .....	82,303	44,208	5,844	132,355	14,796
Unearned Revenue .....	916	3,971	27,702	32,589	—
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable .....	—	7,786	11,551	19,337	—
<b>Total Current Liabilities</b> .....	<b>124,118</b>	<b>157,943</b>	<b>62,155</b>	<b>344,216</b>	<b>26,067</b>
Non-Current Liabilities:					
Non-Current Liabilities Payable from Restricted Assets:					
Deposits/Advances from Others .....	—	—	8,051	8,051	—
Arbitrage Liability .....	—	1,169	—	1,169	—
Compensated Absences .....	2,079	2,308	2,061	6,448	3,327
Liability Claims .....	9,770	12,606	5,637	28,013	7,309
Capital Lease Obligations .....	392	392	2,339	3,123	26,415
Loans Payable .....	94,008	71,871	25,500	191,379	—
Notes Payable .....	—	—	9	9	—
Contracts Payable .....	—	—	1,481	1,481	—
Commercial Paper Payable .....	—	168,213	—	168,213	—
Net Revenue Bonds Payable .....	808,558	716,916	—	1,525,474	—
Estimated Landfill Closure and Postclosure Care .....	—	—	53,003	53,003	—
Net Other Postemployment Benefits Liability .....	43,714	42,338	36,911	122,963	20,376
Pension Liabilities .....	167,200	160,404	145,704	473,308	66,417
<b>Total Non-Current Liabilities</b> .....	<b>1,125,721</b>	<b>1,176,217</b>	<b>280,696</b>	<b>2,582,634</b>	<b>123,844</b>
<b>TOTAL LIABILITIES</b> .....	<b>1,249,839</b>	<b>1,334,160</b>	<b>342,851</b>	<b>2,926,850</b>	<b>149,911</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Gain on Refunding .....	—	2,548	—	2,548	—
Deferred Inflows Related to Other Postemployment Benefits .....	40	46	43	129	18
Deferred Inflows Related to Pensions .....	4,649	6,267	4,913	15,829	2,190
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<b>4,689</b>	<b>8,861</b>	<b>4,956</b>	<b>18,506</b>	<b>2,208</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets .....	2,347,463	1,927,030	109,232	4,383,725	110,383
Restricted for Debt Service .....	518	165	—	683	—
Restricted for Closure/Postclosure Maintenance .....	—	—	5,698	5,698	—
Restricted for Other .....	—	—	827	827	—
Unrestricted (Deficit) .....	139,935	128,957	(32,568)	236,324	53,475
<b>TOTAL NET POSITION</b> .....	<b>\$ 2,487,916</b>	<b>\$ 2,056,152</b>	<b>\$ 83,189</b>	<b>4,627,257</b>	<b>\$ 163,858</b>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds				3,138	
Net position of business-type activities (page 51)				<u>\$ 4,630,395</u>	

The accompanying notes are an integral part of the financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	
<b>OPERATING REVENUES</b>					
Sales of Water .....	\$ —	\$ 551,275	\$ —	\$ 551,275	\$ —
Charges for Services .....	353,628	5,218	163,527	522,373	120,464
Revenue from Use of Property .....	801	6,104	25,209	32,114	—
Other .....	6,281	6,927	11,201	24,409	73
<b>TOTAL OPERATING REVENUES</b> .....	<b>360,710</b>	<b>569,524</b>	<b>199,937</b>	<b>1,130,171</b>	<b>120,537</b>
<b>OPERATING EXPENSES</b>					
Salaries and Employee Benefits .....	98,548	89,891	115,967	304,406	39,940
Materials and Supplies .....	23,555	211,688	7,204	242,447	21,272
Contractual Services .....	71,146	108,325	56,430	235,901	10,899
Information Technology .....	7,278	5,658	4,052	16,988	1,893
Energy and Utilities .....	19,938	13,535	9,079	42,552	12,422
Depreciation .....	75,302	57,007	7,817	140,126	20,803
Benefit and Claim Expenses .....	—	—	—	—	16,944
Other Expenses .....	524	4,334	9,279	14,137	30
<b>TOTAL OPERATING EXPENSES</b> .....	<b>296,291</b>	<b>490,438</b>	<b>209,828</b>	<b>996,557</b>	<b>124,203</b>
<b>OPERATING INCOME (LOSS)</b> .....	<b>64,419</b>	<b>79,086</b>	<b>(9,891)</b>	<b>133,614</b>	<b>(3,666)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Earnings on Investments .....	4,275	2,085	2,067	8,427	416
Federal Grant Assistance .....	1,344	3,126	467	4,937	—
Other Agency Grant Assistance .....	—	265	1,085	1,350	656
Gain (Loss) on Sale/Retirement of Capital Assets .....	(15,366)	(15,327)	(587)	(31,280)	728
Debt Service Interest Expense .....	(38,900)	(25,512)	(766)	(65,178)	(658)
Other .....	8,230	4,480	1,048	13,758	414
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET</b> .....	<b>(40,417)</b>	<b>(30,883)</b>	<b>3,314</b>	<b>(67,986)</b>	<b>1,556</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> .....	<b>24,002</b>	<b>48,203</b>	<b>(6,577)</b>	<b>65,628</b>	<b>(2,110)</b>
Capital Contributions .....	22,219	42,633	5,304	70,156	1,300
Transfers from Other Funds .....	1,228	—	573	1,801	3,000
Transfers from Governmental Funds .....	563	495	1,771	2,829	248
Transfers to Other Funds .....	(2,000)	(2,228)	(573)	(4,801)	—
Transfers to Governmental Funds .....	(24)	(14)	(17)	(55)	(6)
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b> .....	<b>21,986</b>	<b>40,886</b>	<b>7,058</b>	<b>69,930</b>	<b>4,542</b>
<b>CHANGE IN NET POSITION</b> .....	<b>45,988</b>	<b>89,089</b>	<b>481</b>	<b>135,558</b>	<b>2,432</b>
Net Position at Beginning of Year, as Restated .....	2,441,928	1,967,063	82,708		161,426
<b>NET POSITION AT END OF YEAR</b> .....	<b>\$ 2,487,916</b>	<b>\$ 2,056,152</b>	<b>\$ 83,189</b>		<b>\$ 163,858</b>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds				1,656	
Change in net position of business-type activities (page 53)				<u>\$ 137,214</u>	

The accompanying notes are an integral part of the financial statements.



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**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Sewer Utility</b>	<b>Water Utility</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers and Users .....	\$ 359,025	\$ 550,071	\$ 195,088	\$ 1,104,184	\$ 25,157
Receipts from Interfund Services Provided .....	3,265	4,398	3,957	11,620	94,734
Payments to Suppliers .....	(134,620)	(332,137)	(84,174)	(550,931)	(47,358)
Payments to Employees .....	(79,553)	(65,541)	(96,445)	(241,539)	(46,118)
Payments for Interfund Services Used .....	(6,259)	(10,547)	(7,844)	(24,650)	(1,762)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b> .....	<b>141,858</b>	<b>146,244</b>	<b>10,582</b>	<b>298,684</b>	<b>24,653</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from Other Funds .....	1,228	—	573	1,801	3,000
Transfers from Governmental Funds .....	563	495	1,771	2,829	248
Transfers to Other Funds .....	(2,000)	(2,228)	(573)	(4,801)	—
Transfers to Governmental Funds .....	(24)	(14)	(17)	(55)	(6)
Operating Grants .....	1,344	2,234	1,537	5,115	490
Proceeds from Advances and Deposits .....	—	416	16	432	—
Payments for Advances and Deposits .....	—	—	(43)	(43)	—
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b> .....	<b>1,111</b>	<b>903</b>	<b>3,264</b>	<b>5,278</b>	<b>3,732</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from Loans .....	10,311	13,046	—	23,357	—
Proceeds from Commercial Paper .....	—	125,744	—	125,744	—
Proceeds from Capital Contributions .....	19,545	18,518	413	38,476	—
Proceeds from the Sale of Capital Assets .....	—	581	31	612	1,300
Loans to Others .....	—	—	(575)	(575)	—
Acquisition of Capital Assets .....	(116,786)	(191,701)	(19,000)	(327,487)	(17,971)
Principal Payments on Capital Leases .....	(185)	(185)	(1,097)	(1,467)	(8,010)
Principal Payments on Loans .....	(8,922)	(2,820)	—	(11,742)	—
Principal Payments on Notes .....	—	—	(2)	(2)	—
Principal Payments on Revenue Bonds .....	(58,310)	(28,405)	—	(86,715)	—
Decrease in Arbitrage Liability .....	—	33	—	33	—
Interest Paid on Long-Term Debt .....	(41,967)	(34,399)	(1,249)	(77,615)	(548)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b> .....	<b>(196,314)</b>	<b>(99,588)</b>	<b>(21,479)</b>	<b>(317,381)</b>	<b>(25,229)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sales of Investments .....	123,922	88,997	—	212,919	—
Purchases of Investments .....	(124,648)	(88,522)	(3,544)	(216,714)	—
Proceeds from Restricted Investment .....	—	—	16,745	16,745	—
Interest Received on Investments .....	4,431	1,419	1,715	7,565	353
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b> .....	<b>3,705</b>	<b>1,894</b>	<b>14,916</b>	<b>20,515</b>	<b>353</b>
Net Increase (Decrease) in Cash and Cash Equivalents .....	(49,640)	49,453	7,283	7,096	3,509
Cash and Cash Equivalents at Beginning of Year .....	375,650	218,370	215,993	810,013	141,826
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> .....	<b>\$ 326,010</b>	<b>\$ 267,823</b>	<b>\$ 223,276</b>	<b>\$ 817,109</b>	<b>\$ 145,335</b>
<b>Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Position:</b>					
Cash and Investments .....	\$ 320,644	\$ 260,037	\$ 174,117	\$ 754,798	\$ 145,335
Restricted Cash and Investments .....	69,772	23,951	55,087	148,810	—
Less Investments Not Meeting the Definition of Cash Equivalents .....	(64,406)	(16,165)	(5,928)	(86,499)	—
<b>TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR</b> .....	<b>\$ 326,010</b>	<b>\$ 267,823</b>	<b>\$ 223,276</b>	<b>\$ 817,109</b>	<b>\$ 145,335</b>



**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Sewer Utility</b>	<b>Water Utility</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>					
Operating Income (Loss) .....	\$ 64,419	\$ 79,086	\$ (9,891)	\$ 133,614	\$ (3,666)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation .....	75,302	57,007	7,817	140,126	20,803
Other Nonoperating Revenues .....	8,230	4,480	1,048	13,758	414
(Increase) Decrease in Assets:					
Accounts Receivable - Net .....	(8,120)	(17,195)	(744)	(26,059)	(979)
Contributions Receivable .....	—	—	—	—	(80)
Due from Other Funds .....	3,032	—	—	3,032	—
Inventories .....	—	604	—	604	(66)
Prepaid Expenses .....	—	—	935	935	—
Increase (Decrease) in Liabilities and Net Deferred Outflows/Inflows of Resources:					
Accounts Payable .....	(8,517)	13,073	(1,315)	3,241	2,690
Accrued Wages and Benefits .....	21	86	180	287	104
Other Accrued Liabilities .....	—	—	436	436	—
Due to Other Agencies .....	52	(3,506)	—	(3,454)	—
Unearned Revenue .....	(1,574)	(2,340)	(1,196)	(5,110)	—
Contract Deposits .....	12	—	—	12	—
Contracts Payable .....	—	—	(694)	(694)	—
Compensated Absences .....	(172)	(50)	(180)	(402)	348
Liability Claims .....	(301)	2,704	436	2,839	1,153
Estimated Landfill Closure and Postclosure Care .....	—	—	4,473	4,473	—
Net Other Postemployment Benefits Liability and Related Changes in Deferred Outflows/Inflows of Resources .....	167	34	51	252	(11)
Pension Liabilities and Related Changes in Deferred Outflows/Inflows of Resources .....	9,307	12,261	9,226	30,794	3,943
Total Adjustments .....	77,439	67,158	20,473	165,070	28,319
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<b>\$ 141,858</b>	<b>\$ 146,244</b>	<b>\$ 10,582</b>	<b>\$ 298,684</b>	<b>\$ 24,653</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>					
Capital Assets Acquired through Capital Leases .....	\$ —	\$ —	\$ —	\$ —	\$ 14,413
Developer Contributed Assets .....	2,674	24,097	—	26,771	—
Acquisition of Capital Assets .....	—	—	1,473	1,473	42
Capital Contributions Related to Grants Receivable .....	—	—	4,644	4,644	—
Capital Asset Acquisitions Related to Accounts Payable .....	779	2,477	5,417	8,673	80
Carrying Value of Retired Capital Assets .....	(15,363)	(15,327)	(574)	(31,264)	(492)
Capitalized Interest and Related Amounts .....	583	5,695	343	6,621	—
Amortization of Bond Premiums, Discounts and Refundings .....	2,120	(2,677)	—	(557)	—
Change in Fair Value of Investments .....	545	(64)	—	481	—
Interest Fund Credits for Debt Service Payments .....	(396)	(482)	—	(878)	—
Transfers of Capital Assets (To) From Governmental Activities .....	(3)	14	(1)	10	1,207
Transfers of Capital Assets (To) From Other Funds .....	(1)	1	29	29	(29)

The accompanying notes are an integral part of the financial statements

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
 June 30, 2018  
 (Dollars in Thousands)

	Trust Funds		
	Pension	Private-Purpose	Agency
<b>ASSETS</b>			
Cash and Investments .....	\$ 2,114	\$ 88,938	\$ 31,979
Cash and Investments with Custodian/Fiscal Agent .....	288,588	—	—
Investments at Fair Value:			
Domestic Fixed Income Securities .....	2,043,704	—	—
International Fixed Income Securities .....	562,128	—	—
Domestic Equity Securities .....	1,798,974	—	—
International Equity Securities .....	1,302,229	—	—
Global Equity Securities .....	394,933	—	—
Real Estate .....	837,876	—	—
Equity Mutual Funds .....	799,969	—	—
Fixed Income Mutual Funds .....	394,379	—	—
Private Equity and Infrastructure .....	1,143,575	—	—
Receivables:			
Accounts - Net .....	—	—	762
Special Assessments .....	—	—	133
Contributions .....	3,265	—	—
Accrued Interest .....	8,439	210	22
Notes and Contracts .....	—	4,015	—
Loans .....	34,001	—	—
Securities Sold .....	170,177	—	—
Land Held for Resale .....	—	2,199	—
Prepaid Expenses .....	187	157	—
Securities Lending Collateral .....	171,321	—	—
Restricted Cash and Investments .....	—	44,001	34,292
Capital Assets - Non-Depreciable .....	—	13,438	—
Capital Assets - Depreciable .....	4,958	45,991	—
<b>TOTAL ASSETS</b> .....	<b>9,960,817</b>	<b>198,949</b>	<b>67,188</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on Refunding .....	—	25,133	—

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2018**  
**(Dollars in Thousands)**

	Trust Funds		
	Pension	Private-Purpose	Agency
<b>LIABILITIES</b>			
Accounts Payable .....	\$ 4,514	\$ 415	\$ 10,764
Accrued Wages and Benefits .....	672	—	—
Interest Accrued on Long-Term Debt .....	—	163,096	—
Deposits/Advances from Others .....	—	—	26
Sundry Trust/Agency Liabilities .....	—	433	35,113
Due to Bondholders .....	—	431,244	21,285
Liability Claims .....	—	68,297	—
Loans Payable .....	—	39,637	—
Supplemental Benefits Payable .....	11,788	—	—
Securities Lending Obligations .....	171,306	—	—
Securities Purchased .....	468,429	—	—
<b>TOTAL LIABILITIES</b> .....	<b>656,709</b>	<b>703,122</b>	<b>67,188</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Gain on Refunding .....	—	3,321	—
<b>NET POSITION (DEFICIT)</b>			
Restricted for Pension Benefits .....	9,304,108	—	—
Held in Trust for Other Purposes .....	—	(482,361)	—
<b>TOTAL NET POSITION (DEFICIT)</b> .....	<b>\$ 9,304,108</b>	<b>\$ (482,361)</b>	<b>\$ —</b>

The accompanying notes are an integral part of the financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Trust Funds	
	Pension	Private-Purpose
<b>ADDITIONS</b>		
Employer Contributions .....	\$ 416,355	\$ —
Plan Member Contributions:		
Employee Contributions .....	125,860	—
DROP Contributions .....	5,521	—
Retiree Contributions .....	8,040	—
Redevelopment Property Tax Trust Fund .....	—	94,716
Earnings on Investments:		
Investment Income .....	166,229	541
Investment Expense .....	(38,253)	—
Net Appreciation in Fair Value of Investments .....	597,091	—
Net Investment Income .....	725,067	95,257
Securities Lending Income:		
Gross Earnings .....	3,448	—
Borrower Rebates and Bank Charges .....	(2,459)	—
Net Securities Lending Income .....	989	—
Capital Contributions .....	—	1,299
Other Income .....	999	4,557
<b>TOTAL ADDITIONS</b> .....	<b>1,282,831</b>	<b>101,113</b>
<b>DEDUCTIONS</b>		
Enforceable Obligation Payments .....	—	5,199
Interest on Long-Term Debt .....	—	17,665
DROP Interest Expense .....	23,008	—
Benefit and Claim Payments .....	640,757	—
Disposal of Assets .....	—	896
Administration .....	12,166	—
Depreciation .....	—	1,804
<b>TOTAL DEDUCTIONS</b> .....	<b>675,931</b>	<b>25,564</b>
<b>CHANGE IN NET POSITION</b> .....	<b>606,900</b>	<b>75,549</b>
Net Position (Deficit) at Beginning of Year .....	8,697,208	(557,910)
<b>NET POSITION (DEFICIT) AT END OF YEAR</b> .....	<b>\$ 9,304,108</b>	<b>\$ (482,361)</b>

The accompanying notes are an integral part of the financial statements.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Dollars in Thousands)**

The City of San Diego (City) adopted its current charter on April 7, 1931 and operates as a municipality in accordance with State laws. Since adoption, the City Charter has been amended many times.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the City's significant accounting policies:

a. Financial Reporting Entity

As required by GAAP, these financial statements present the primary government and its component units. The City is the primary government, while entities for which the primary government is considered to be financially accountable represent its component units. Component units can be blended with the primary government or discretely presented.

A blended component unit is a legally separate entity whose functions are an integral part of the primary government. A component unit is considered to be an integral part of the primary government, and hence a blended component unit, in any of these circumstances: (1) the entity and the primary government substantively have the same governing body and a financial benefit/burden relationship exists; (2) the entity and the primary government substantially have the same governing body and management of the primary government have operational responsibility for the entity; (3) if the entity exists to serve or benefit exclusively (or almost exclusively) the primary government; (4) the total debt of the entity is repayable entirely (or almost entirely) from resources of the primary government; or (5) the entity is organized as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in the entity's articles of incorporation or bylaws. Blended component units are reported as funds of the primary government.

A discretely presented component unit does not function as an integral part of the primary government. It is reported in the government-wide financial statements in a column separate from the primary government. The City also reports fiduciary component units which are not included in the government-wide financial statements. Fiduciary component units are not part of the primary government and are reported as fiduciary funds to account for assets held in a trustee or agency capacity for others that cannot be used to support the government's own programs.

Included within the reporting entity as blended component units are the following:

- Civic San Diego
- Convention Center Expansion Financing Authority
- Public Facilities Financing Authority
- San Diego Convention Center Corporation
- San Diego Facilities and Equipment Leasing Corporation
- Otay Mesa Enhanced Infrastructure Financing District Public Financing Authority
- Tobacco Settlement Revenue Funding Corporation

A brief description of each blended component unit follows:

- Civic San Diego (CSD) is a not-for-profit public benefit corporation established upon dissolution of the former San Diego Redevelopment Agency (RDA). One of CSD's primary functions is providing administrative and advisory services to the City as the Successor Agency. CSD also assists the City with downtown parking management administration and affordable housing development. CSD is governed by a nine member board appointed by the Mayor and City Council. CSD's budget and governing board are approved by the City of San Diego and services primarily benefit the City. CSD is reported as a governmental fund. Financial statements are available at [www.civicsd.com](http://www.civicsd.com).
- The Convention Center Expansion Financing Authority (CCEFA) was established in 1996 by the City and the San Diego Unified Port District (Port) to acquire and construct the expansion of the existing convention center. The CCEFA is governed by a board consisting of the Mayor, the City Manager, the President/CEO of the Port, and a member of the Board of Commissioners for the Port. The current working title of the City Manager is the Chief Operating Officer. The CCEFA provides services which primarily benefit the City. CCEFA is reported as a governmental fund.
- The Public Facilities Financing Authority (PFFA) was established in 1991 by the City and the former RDA to acquire and construct public capital improvements. As of June 30, 2018, the members are the City, the Successor Agency, and the Housing Authority of the City of San Diego. PFFA is governed by a board of commissioners composed of the members of the City Council. PFFA provides services exclusively to the City. Financing for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.
- San Diego Convention Center Corporation (SDCCC) is a not-for-profit public benefit corporation, originally organized to market, operate, and maintain the San Diego Convention Center. The City is the sole member of SDCCC and acts through the San Diego City Council in accordance with the City Charter and the City's Municipal Code. The City appoints all seven voting members to the Board of Directors of SDCCC. In accordance with the management agreement with SDCCC, the City allocates to SDCCC approved budgetary amounts for marketing, promotion, and capital projects for the Convention Center. SDCCC is reported as an enterprise fund. Complete stand-alone financial statements are available at [www.visitsandiego.com](http://www.visitsandiego.com).
- The San Diego Facilities and Equipment Leasing Corporation (SDFELC) is a not-for-profit public benefit corporation established in 1987 for the purpose of acquiring and leasing to the City real and personal property to be used in the municipal operations of the City. SDFELC is governed by a three member board consisting of the City Attorney, the Chief Financial Officer, and the Mayor. Services are provided exclusively to the City. Financing provided through SDFELC for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.
- The Otay Mesa Enhanced Infrastructure Financing District Public Financing Authority (EIFDPFA) was established in 2017 by the City of San Diego to finance certain public infrastructure and community benefit projects authorized under the Enhanced Infrastructure Financing District (EIFD) Law Government Code sections 53398.50 through 53398.88. The Otay Mesa EIFD governing board consists of three members of the City Council and two members of the public, all whom are appointed by the City Council. Services provided primarily benefit the City. Future financing for governmental funds will be reported as a governmental activity.

- The Tobacco Settlement Revenue Funding Corporation (TSRFC) is a not-for-profit public benefit corporation established in 2006 for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. TSRFC purchased from the City the rights to receive future tobacco settlement revenues due to the City. TSRFC is governed by a board of directors, which consists of the Chief Operating Officer, the Chief Financial Officer, and one independent director. The independent director, currently vacant, is appointed by the Mayor or the remaining directors. TSRFC is reported as a governmental fund.

There are two fiduciary component units:

- San Diego City Employees' Retirement System (SDCERS) was established in 1927 by the City and administers independent, qualified, single employer governmental defined benefit plans and trusts for the City, the Port and the San Diego County Regional Airport Authority (Airport). SDCERS' Board of Administration (Board) adopted a Declaration of Group Trust, effective July 1, 2007. Under the Group Trust, the City, Port and Airport plans are treated as separate plans, with assets pooled for investment purposes only. SDCERS also processes certain postemployment healthcare activities on behalf of the City. SDCERS is a legally separate, fiduciary component unit of the City. It is governed by a 13 member Board of Administration, eight of which are appointed by the City, and a Pension Administrator who does not report to or work under the direction of the elected officials or appointed managers of the City. As such, the City does not maintain direct operational oversight of SDCERS or its financial reports. SDCERS provides services primarily to the City and is reported as a pension trust fund. Complete stand-alone financial statements are available at [www.sdcers.org](http://www.sdcers.org).
- The Successor Agency of the Redevelopment Agency of the City of San Diego (Successor Agency) is a legally separate entity from the City, reported as a fiduciary component unit. It was established to hold the former RDA's assets until they are distributed to other units of state and local government, or where appropriate, to private parties, and to administer the payments of the former RDA's obligations. Pursuant to ABX1 26, redevelopment agencies and their successor agencies in the State of California generally cannot enter into new projects, obligations or commitments. On January 12, 2012, the City was designated to serve as the Successor Agency subject to control of an oversight board. The Successor Agency is reported as a private-purpose trust fund in the fiduciary funds financial statements.

There is one discretely presented component unit:

- San Diego Housing Commission (SDHC) is a governmental agency, which was formed by the City under Ordinance No. 2515 on December 5, 1978 in accordance with the Housing Authority Law of the State of California. SDHC's priority is to serve low and moderate income persons by providing rental assistance payments, rental housing, loans and grants to families, individuals and not-for-profit organizations to create and preserve affordable housing. SDHC is governed by the San Diego Housing Authority (Housing Authority), which is composed of the nine members of the San Diego City Council. The Housing Authority is assisted by a Board of Commissioners, a seven-member advisory body appointed by the Mayor and confirmed by the City Council. The Housing Authority has final authority over the SDHC's budget and major policy changes. SDHC is discretely presented because the City appoints the voting members of the SDHC Board, is financially accountable for SDHC, and SDHC provides its services directly to the citizens.

SDHC has seven blended component units and nineteen discretely presented component units which are included in the City's basic financial statements. The discretely presented component units are financially and legally separate entities from SDHC. SDHC's discretely presented component units reflect the financial reporting entity of consolidated Housing Development Partners, which includes the legal entities: Housing Development Partners of San Diego (HDP); HDP Mason Housing Corporation; Casa Colina, LP; Logan Development II, LP; HDP Broadway, LP; HDP Churchill, LP; HDP Parker Kier, LLC; HDP New Palace, LP; Logan Development Management, LLC; HDP Broadway Management, LLC; HDP Churchill, LLC; HDP Island Village, LLC; HDP

New Palace Management, LLC; HDP Village North, LLC; HDP West Park, LP; HDP West Park Management, LLC; HDP Quality Inn, LLC; HDP Town and Country, LP; and HDP Town and Country, LLC, collectively referred to as the "Corporation". Complete stand-alone financial statements are available at [www.sdhc.org](http://www.sdhc.org).

Each blended and discretely presented component unit of the City has a June 30 fiscal year-end, with the exception of SDHC's discretely presented component units, which have a December 31 fiscal year-end.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City and its blended component units. Governmental activities are normally supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support. The primary government is reported discretely from SDHC, a legally separate component unit for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function or segment. Direct expenses reported include administrative and overhead charges. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that do not qualify as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, the latter of which are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

**Government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other interfund services provided and used between functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Governmental funds financial statements** are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues which are considered susceptible to accrual include: real and personal property taxes; special assessments collected via property taxes; sales taxes; transient occupancy taxes; other local taxes; franchise fees; fines, forfeitures and penalties; rents and concessions; interest; and state and federal grants and subventions, provided they are received within 60 days from the end of the fiscal year.



Licenses and permits, parking citations, and some miscellaneous revenues are recorded as revenues when received in cash because they generally are not measurable until actually received.

Expenditures are recognized when the related fund liability is incurred except for (1) principal and interest of general long-term debt, which are recognized when due; and (2) employee annual leave and claims and judgments from litigation, which are recorded in the period due and payable since such amounts will not currently be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds.

The governmental funds financial statements do not present long-term debt, but the related debt is shown in the reconciliation of the governmental funds Balance Sheet to the government-wide Statement of Net Position. Issuance of long-term debt, bond premiums, and discounts are reflected as other financing sources (uses) and recognized in the period in which they are issued.

Permanent funds, commonly referred to as endowment funds, are governmental funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs. The City has received endowments for various programs, a list of which can be found in the Permanent Funds section of the Combining and Individual Fund Financial Statements and Schedules. The corpus of permanent funds is reported as Nonspendable Fund Balance and investment earnings available for expenditure are reported as Restricted Fund Balance in the fund level financial statements. The endowment principal is reported as Restricted for Nonexpendable Permanent Endowments in the Statement of Net Position. Funds are spent in accordance with the City budget, subject to State law governing the spending of endowment fund investment earnings in California Probate Code Section 18504.

**Proprietary funds** distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Fiduciary funds** are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units, and include the pension trust, private-purpose trust, and agency funds. Trust funds are reported using the same measurement focus and basis of accounting as proprietary funds. Agency funds are reported using the accrual basis of accounting and only report assets and liabilities, and therefore, do not have a measurement focus.

The following is the City's only major governmental fund:

General Fund - The General Fund is the principal operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The following are the City's major enterprise funds:

Sewer Utility Fund - The Sewer Utility Fund is used to account for the operation, maintenance and development of the City's sewer system. The City's Sewer Utility Fund includes activities related to the performance of services for several local municipalities and other utility districts (Participating Agencies).

Water Utility Fund - The Water Utility Fund is used to account for operating and maintenance costs, replacements, betterments, expansion of facilities, and payments necessary in obtaining water from the Colorado River, the State Water Project, and local sources, and supplying water to its customers.

The following are the City's other fund types:

Internal Service Funds - These funds account for fleet vehicles and transportation, printing, and storeroom services provided to City departments on a cost-reimbursement basis. Internal service funds also account for energy conservation, risk management, unemployment insurance, unused compensatory time, unused sick leave, and long-term disability programs, which derive revenues from rates charged to benefiting departments.

Pension Trust Funds - These funds account for SDCERS, the Preservation of Benefits Plan, the Postemployment Healthcare Benefit Plan, the Supplemental Pension Savings Plan (SPSP), the 401(a) Plan and the 401(k) Plan.

Private-Purpose Trust Fund - This fund was established to account for the ongoing obligations of the Successor Agency (former RDA).

Agency Funds - These funds account for assets held by the City as an agent for individuals, private organizations, and other governments, including federal and state income taxes withheld from employees, parking citation revenues on behalf of other agencies, certain employee benefit plans, and special assessments.

d. Property Taxes

The County of San Diego (County) assesses, bills, and collects property taxes on behalf of numerous special districts and incorporated cities, including the City of San Diego. The City receives the current year's taxes through periodic apportionments from the County.

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1, based on the assessed values as of the lien date, are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Since the passage of California's Proposition 13, beginning with fiscal year ended 1979, general property taxes are based on either (1) a flat 1% rate applied to the 1975-76 full value of the property or (2) 1% of the sales price of any property sold or of the cost of any new construction after the 1975-76 valuation. Taxable values of properties (exclusive of increases related to sales and new construction) can increase by a maximum of 2% per year. The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13).

At the government-wide level, property tax revenue is recognized in the fiscal year for which the taxes have been levied. Property taxes received after the fiscal year and which do not meet the 60 day availability criterion are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are recorded as deferred inflows of resources in the governmental funds. The City provides an allowance for uncollectible property taxes, which is analyzed each year against the most recent data from the County. For fiscal year 2018, the allowance amount was \$2,176.

Property owners can appeal the assessment value of their property to the County Assessment Appeals Board. If successful, the County Assessor may reduce the taxable value of a property and/or provide a refund to affected property owners. Reductions of taxable property value within the City of San Diego have a negative impact on future tax collections until assessed valuations increase.

e. Cash and Investments

The City's cash and cash equivalents for the Statement of Cash Flows purposes include cash on hand, demand deposits, restricted cash, and investments held in the City Treasurer's Pooled Investment Fund (pool) and are reported at fair value. Cash equivalents reported in the Statement of Cash Flows for the Water and Sewer Utility Funds do not include restricted investments represented as Restricted Cash and Investments with an original maturity date greater than ninety days from the time of purchase.

The City's cash resources are combined to form a cash and investment pool managed by the City Treasurer. The City is not required to register the pool as an investment company with the Securities and Exchange Commission (SEC). The investment activities of the City Treasurer in managing the pool are governed by California Government Code § 53601 and the City of San Diego City Treasurer's Investment Policy, which is reviewed by the City Treasurer's Investment Advisory Committee and presented annually to the City Council. Interest earned on pooled investments is allocated to participating funds and entities based upon their average daily cash balance during the allocation month. Fair value adjustments to the pool are recorded annually; however, the City Treasury reports on market values monthly. The pool participates in the California State Treasurer's Local Agency Investment Fund (LAIF). Investments in LAIF are governed by State statutes and overseen by a five member Local Investment Advisory Board. The fair value of the City's position in LAIF may be greater or less than the value of the shares. Investments in LAIF are valued in these financial statements using a fair value factor provided by LAIF applied to the value of the City's shares in the investment pool.

Certain governmental funds maintain investments outside of the pool. These funds are supervised and controlled by a five member Funds Commission, which is appointed by the Mayor and confirmed by the City Council. The Funds Commission engages money managers to direct the investments of these funds. Additionally, the City and its component units maintain individual accounts pursuant to bond issuances and major construction contracts, which may or may not be related to debt issuances. The investment of these funds is governed by the policies set forth in the individual indenture and trustee agreements. Certain component units of the City also participate in LAIF separately from the pool.

All City investments are reported at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*. Note 3 contains additional information on permissible investments per the City Treasurer's Investment Policy and other policies applicable to the cash and investments reported herein.

The discharge of fiduciary duties by SDCERS' Board is governed by Section 144 of the City Charter and Article XVI, Section 17 of the California State Constitution. SDCERS' Board has the authority to delegate investment management duties to outside advisors, to seek the advice of outside investment counsel, and to provide oversight and monitoring of the investment managers it hires. Additional discretion beyond the City Charter is provided for under the California State Constitution and other relevant authorities whereby the Board may, at its discretion, invest funds in any form or type of investment, financial instrument, or financial transaction. SDCERS' investment managers manage all investments, which are held in SDCERS' name.

SDCERS' investments are reported at fair value or net asset value (NAV), in accordance with GASB Statement No. 72, in the accompanying Statement of Fiduciary Net Position. SDCERS' custodial bank, State Street Bank & Trust Company, provides the fair values of exchange traded assets. Through its agents, SDCERS also holds investments in non-publicly traded institutional investment funds. These institutional investment funds are comprised of exchange traded securities, the fair values of which are provided by the respective investment managers. Directly-owned real estate assets are stated at appraised values as determined by SDCERS' real estate managers and third party appraisal firms. Private equity and infrastructure assets are measured at fair value using the NAV per share or its equivalent by their respective investment managers, giving consideration to the financial

condition and operating results of the portfolio companies, and other factors deemed relevant. These values are reviewed by SDCERS' investment staff and their real estate, private equity and infrastructure consultants. Where fair value information as of June 30, 2018 was not available at the time of these financial statements, SDCERS has estimated fair value by using the most recent fair value information available from the fund manager/general partner and adding any contributions and/or deducting any distributions to/from the investment from the date of the most recent fair value information to June 30, 2018.

f. Receivables

The City's receivables are comprised mainly of notes, loans, accounts and taxes. Long-term notes and loans receivables consist primarily of former RDA agreements with terms that provide for limited cash flows, e.g. residual receipts from Low and Moderate Housing developer loans. These receivables are reported in the governmental fund statements and are recorded with an offset to restricted fund balance as resources are not available for expenditure. Accounts receivable and taxes receivable are reported net of an allowance for uncollectible amounts. The allowance amounts as of June 30, 2018 are as follows:

Fund	Accounts Receivable Allowance	Taxes Receivable Allowance
General Fund	\$ 7,951	\$ 2,130
Nonmajor Governmental Funds	3,453	46
Sewer Utility	951	—
Water Utility	1,014	—
Nonmajor Enterprise Funds	2,843	—
Internal Service Funds	1,047	—
Total	\$ 17,259	\$ 2,176

g. Inventories

Inventories reported in the government-wide financial statements and the proprietary funds financial statements, which consist primarily of water in storage intended for resale, are valued at the lower of cost or market. Such inventories are expensed when consumed using primarily the first-in, first-out (FIFO) and weighted-average methods for inventories of water in storage and supplies, respectively. Inventory supplies of governmental funds are recorded as expenditures when purchased.

h. Land Held for Resale

Land Held for Resale is reported in the government-wide and fund financial statements at the lower of cost or net realizable value. In the governmental funds financial statements, fund balances associated with properties held for resale are reported as restricted fund balances as proceeds from the sale of such properties are restricted for the purpose of affordable housing as codified in the California Health and Safety Code. Land is originally recorded at historical cost and adjusted to net realizable value when a property is impaired, when the determination is made that a property will be sold for less than its cost, or when property values decrease due to market conditions.

i. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents the consumption of net position that is applicable to a future reporting period(s) and so will not be recognized as an expense/expenditure until then. The City has three items that qualify for reporting in this category: loss on refunding, deferred outflows related to pension benefits, and deferred outflows related to other postemployment benefits.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents the acquisition of net position that is applicable to a future reporting period(s) and so will not be recognized as a revenue until then. The City has three items that qualify for reporting in this category: gain on refunding, deferred inflows related to pension benefits, and deferred inflows related to other postemployment benefits. Additionally, in the governmental funds financial statements, deferred inflows of resources represent revenues which have been earned but have not met the recognition criteria based on the modified accrual basis of accounting.

j. Capital Assets

Capital assets, when purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value or estimated acquisition value on the date received. Costs for routine maintenance are expensed as incurred. All capital assets are reported in the applicable Governmental or Business-Type Activities column in the government-wide financial statements, as well as in the proprietary funds and fiduciary funds financial statements.

Non-Depreciable Capital Assets include land, rights of way, easements, and construction in progress. Works of art and historical treasures are also included since they are capitalized, but not depreciated. These assets are maintained for public exhibition, education, or research and are being preserved for future generations. The proceeds from sales of works of art are used to purchase other items for the collection.

Depreciable Capital Assets, which include structures and improvements, equipment, intangible assets, distribution and collection systems, and infrastructure, are reported net of accumulated depreciation/amortization. The City considers capital expenditures those that result in assets that are used in City operations and have a useful life in excess of one year. The following table shows the City's capitalization thresholds for each asset category:

Asset Category	Capitalization Threshold
Non-Depreciable:	
Land and Rights of Way	\$ —
Easements (Intangible)	50
Artwork/Historical Treasures	5
Depreciable:	
Buildings	50
Building Improvements	50
Equipment/Vehicles	5
Software (Intangible)	100
Distribution and Collection Systems	25
Infrastructure	25

Interest expense incurred during the construction phase for business-type capital assets is reflected in the capitalized value of the asset constructed. During fiscal year 2018, \$6,278 of interest expense incurred was capitalized, which is calculated net of related interest revenue of \$10.

Depreciation of capital assets is computed using the straight-line method over the estimated useful life of the asset as follows:

Asset Category	Useful Life (In Years)
Structures and Improvements	
Buildings	10 - 50
Building Improvements	3 - 50
Equipment	
Vehicles	4 - 20
General Machinery and Office Equipment	2 - 50
Intangible Assets	5 - 25
Distribution and Collection	
Systems Sewer and Water Infrastructure	15 - 75
Dams and Reservoirs	50 - 150
Infrastructure	
Pavement, Sidewalks, and Lighting	12 - 50
Bridges	30 - 75
Flood Control Assets	40 - 75

k. Unearned Revenue

In the government-wide and fund level financial statements, unearned revenue represents amounts received, which have not been earned. Examples include Development Services' customer accounts with surplus balances, and grant revenues received in advance.

l. Interfund Transactions

The City has the following types of interfund transactions:

Loans represent amounts provided with a requirement for repayment. Interfund loans are normally reported as interfund receivables (i.e. Due from Other Funds) in lender funds and interfund payables (i.e. Due to Other Funds) in borrower funds. The non-current portions of long-term interfund loans receivable are reported as advances.

Services provided and used represent sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds.

Reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. The reimbursement is reported as expenditures or expenses in the reimbursing fund and a reduction of expenditures or expenses in the fund that initially incurred the expense.

Transfers represent flows of assets, such as cash or goods, without equivalent flows of assets in return, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

m. Long-Term Liabilities

In the government-wide, proprietary, and fiduciary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statements of Net Position. Capital appreciation bond accretion and bond premiums and discounts are amortized over the life of the bonds using a method which approximates the effective interest method. Net bonds payable reflects unamortized bond discounts and premiums.

n. Compensated Absences

The City provides combined annual leave to cover both vacation and sick leave. It is the City's policy to permit employees to accumulate between 8.75 weeks and 17.5 weeks of earned but unused annual leave, depending on hire date. Accumulation of these earnings will be paid to employees upon separation from service.

The liability for compensated absences reported in the government-wide and proprietary funds financial statements consists of unpaid accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g. Medicare Tax). The short-term portion is an estimate calculated based on leave taken in the prior year, as a percentage of total outstanding balances. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

o. Claims and Judgments

The costs of claims and judgments are accrued when incurred and measurable in the government-wide, proprietary and fiduciary funds financial statements. In governmental funds, the costs of claims and judgments are recorded as expenditures when payments are due and payable.

p. Non-Monetary Transactions

The City, as part of approving new development in the community planning process, requires that certain public facilities be constructed per the provisions of community financing plans. These facilities are typically funded in whole or part with impact fees collected from new development. The City often enters into reimbursement agreements with developers to construct the facilities. These agreements provide developers with credits (also referred to as FBA/DIF/RTCIP credits) for future permit fees. These credits are earned by the developer upon successful completion of construction phases and when City engineers have accepted the work. The credits are recognized as permit revenue upon issuance and a corresponding capital asset is recorded in the government-wide financial statements. See Note 5 for additional detail on reimbursement agreements.

q. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's SDCERS plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by SDCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value or NAV.

r. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value or NAV.

s. Net Position

In the government-wide and proprietary funds financial statements, Net Position is categorized as follows:

- **Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation, reduced by outstanding debt and deferred outflows/inflows of resources attributed to the acquisition, construction or improvement of these assets.
- **Restricted Net Position** consists of restricted assets reduced by liabilities related to those assets. It is the City's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position components are available. As of June 30, 2018, the amount of restricted net position due to enabling legislation was approximately \$311,074.
- **Unrestricted Net Position** consists of net position that does not meet the definition of Net Investment in Capital Assets or Restricted Net Position.

t. Fund Balances

In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned or unassigned based on the extent to which the City is bound to observe constraints imposed on the use of resources.

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** - amounts that can only be used for specific purposes imposed by formal action of the City Council. The City Council uses ordinances or resolutions to commit fund balances. Ordinances and resolutions both meet the criteria to establish a commitment since the limitations on the redeployment of those resources for other purposes is the same. Committed amounts cannot be used for other purposes unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned fund balance** - amounts that are constrained by the City's intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. City Council may assign fund balance through approval of budget appropriations. The Mayor and his/her designees are authorized by the City Charter to assign fund balance through the encumbrance process. Designees generally include the Chief Operating Officer, Assistant Chief Operating Officer, Deputy Chief Operating Officers and Department Directors.



- **Unassigned fund balance** - the residual classification for the City's General Fund that includes amounts not included in other classifications. In funds other than the General Fund, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned and unassigned as they are needed.

u. Reserves

The City's formal reserve policy, which was adopted in fiscal year 2008 via City Council ordinance, last amended in June 2018, was created in accordance with Charter Section 91 and defines the General Fund Reserve. The City's General Fund Reserve is comprised of two separate components: (1) the Emergency Reserve and (2) the Stability Reserve. For the purpose of the policy, the General Fund is the operational fund as presented in the City's annual budget document.

- **Emergency Reserve** - maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other unforeseen catastrophic event. This reserve may be expended when an event is determined to be a public emergency by a two-thirds vote of the City Council, when such expenditures are necessary to ensure the safety of the City's residents and their property. This reserve is reported as restricted fund balance.
- **Stability Reserve** - maintained to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures. The purpose of this reserve is to provide budgetary stabilization and not serve as an alternative funding source for new programs. Recommendations to appropriate from the Stability Reserve are brought forward by the Mayor and require approval by a majority of the City Council. This reserve is a component of unassigned fund balance.

The policy level for total General Fund Reserves is 16.7% of the most recent three year average of annual General Fund operating revenues (budgetary basis), as reported in the CAFR. The Emergency Reserve is set at a policy level of 8%, and the Stability Reserve is set at a policy level of 8.7%. The City's reserve policy established funding targets for each fiscal year ending 2016 to 2025 to reach policy levels. For fiscal year 2018, the Emergency Reserve funding target was 8%, and the Stability Reserve funding target was 7%. The balances of the Emergency Reserve and the Stability Reserve, as of June 30, 2018, were \$96,700 and \$84,600, respectively, meeting policy target levels. In the event either reserve component is reduced below the amount established by this policy, the Mayor will develop a plan to replenish the reserve in a reasonable timeframe. Spendable and unassigned fund balance that is not part of General Fund Reserves is available for appropriation.

The Pension Payment Stabilization Reserve was established to mitigate service delivery risk due to increases in the annual pension payment, the Actuarially Determined Contribution (ADC). The purpose of this reserve is to provide a source of funding for the ADC when these conditions occur and the ADC has increased year over year. The Pension Payment Stabilization Reserve is funded at a level equal to 8% of the average of the last three ADCs to the pension system. The fiscal year 2018 adopted budget included full utilization of the reserve in order to minimize the impact of the significant increase in the July 1, 2017 ADC payment of \$324,500.

The City also maintains reserves to manage risk including public liability reserves for the payment of claims and judgments, a reserve for obligations related to workers' compensation claims, and a reserve for long-term disability payments for City employees. In addition, the City maintains reserves for the following enterprise funds: the Water and Sewer Utility Funds; Development Services Fund; Environmental Services Fund; and the Golf Course Fund. Information regarding reserves maintained by the City is contained in Council Policy No. 100-20.

v. Participating Agencies Revenue Recognition

The Regional Wastewater Disposal Agreement between the City and the Participating Agencies (PA) in the Metropolitan Sewerage System allows for quarterly invoicing of local area member municipalities and utility districts to collect and process sewage waste using the City's facilities. The invoicing is based on an estimated allocation of costs associated with each PA and may not represent each PA's proportionate allocation of actual maintenance and operating costs of the sewage system, resulting in an overstatement or understatement of revenue reported in the Sewer Utility Statement of Revenues, Expenses and Changes in Fund Net Position.

w. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

x. New Governmental Accounting Standards Implemented During Year Ended June 30, 2018

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2018.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which applies to state and local government employers who provide OPEB to employees, such as the City. GASB 75 replaces previously issued statements related to the employer's accounting and financial reporting for OPEB. GASB 75 details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet specific criteria, and for employers whose employees are provided with defined contribution OPEB. For OPEB that is administered through trusts, GASB 75 requires the liability of employers to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. See Note 13 for more information regarding the City's Other Postemployment Benefits.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The City had no reportable impacts for fiscal year 2018.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The City had no reportable impacts for fiscal year 2018.

y. Upcoming Governmental Accounting Standards Implementation

The requirements of the following accounting standards become effective in future periods, if applicable to the City. Management is currently in the process of evaluating the potential impacts to the City's basic financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. It also establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement will become effective in fiscal year 2019.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will become effective in fiscal year 2020.

In June 2017, GASB issued Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use the lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will become effective in fiscal year 2021.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specific in debt agreements related to significant events of default with finance-related consequences, significant termination events of finance-related consequences, and significant acceleration clauses. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. This statement will become effective in fiscal year 2019.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement will become effective in fiscal year 2021.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government entity engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those government entities and funds should measure the majority equity interest at fair value. This statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. This statement will become effective in fiscal year 2020.

## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Dollars in Thousands)

Certain adjustments are necessary to reconcile governmental funds to governmental activities (which includes all internal service funds). The reconciliation of these adjustments is as follows:

- a. Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position:

The Governmental Funds Balance Sheet includes a reconciliation between "Total Fund Balances" and "Net Position of Governmental Activities" as reported in the Government-Wide Statement of Net Position. One element of the reconciliation states, "Certain assets and deferred outflows of resources are not financial resources (uses), and therefore, are not reported at the fund level." The details of this \$653,012 difference are as follows:

Loss on Refunding, July 1, 2017	\$ 2,755
Loss on Refunding for Bonds Issued	13,608
Amortization Expense	<u>(1,238)</u>
Loss on Refunding, June 30, 2018	<u>15,125</u>
Deferred Outflows of Resources Related to Other Postemployment Benefits	22,864
Deferred Outflows of Resources Related to Pensions	<u>615,023</u>
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u><u>\$ 653,012</u></u>

Another element of the reconciliation states: "Unavailable revenues are not financial resources, and therefore, are reported as deferred inflows of resources." The details of this \$93,068 difference are as follows:

Deferred Inflows of Resources - Unavailable Revenue:	
Taxes Receivable	\$ 54,995
Grants Receivable	19,440
Special Assessments Receivable	121
Revenue from Other Agencies	4,718
Charges for Services	9,663
Other	<u>4,131</u>
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u><u>\$ 93,068</u></u>

Another element of the reconciliation states: "Certain liabilities and deferred inflows of resources, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds." The details of this \$(3,763,526) difference are as follows:

Interest Accrued on Long-Term Debt	\$ (4,706)
Compensated Absences	(58,580)
Liability Claims	(367,366)
Reimbursement Agreement Obligations	(6,749)
Capital Lease Obligations	(161,564)
QECB Lease Obligation	(7,578)
Loans Payable	(3,511)
Section 108 Loans Payable	(2,872)
Net Bonds Payable	(672,703)
Net Other Postemployment Benefits Liability	(407,105)
Pension Liabilities	(1,992,865)
Total Liabilities	<u>(3,685,599)</u>
Deferred Inflows of Resources:	
Deferred Inflows Related to Other Postemployment Benefits	(448)
Deferred Inflows Related to Pensions	(77,479)
Total Deferred Inflows of Resources	<u>(77,927)</u>
Net adjustment to decrease "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ (3,763,526)</u>

Another element of the reconciliation states: "Internal service funds are used by management to charge the costs of activities such as Fleet Operations, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are included in the governmental activities in the Statement of Net Position." The details of this \$160,720 difference are as follows:

Assets:	
Capital Assets - Non-Depreciable	\$ 3,849
Capital Assets - Depreciable	142,619
Internal Balances	(227)
Current Assets	148,254
Total Assets	<u>294,495</u>
Deferred Outflows of Resources	<u>18,056</u>
Liabilities:	
Compensated Absences	(6,535)
Liability Claims	(9,227)
Capital Lease Obligations	(36,085)
Net Other Postemployment Benefits Liability	(20,376)
Pension Liabilities	(66,417)
Current Liabilities	(10,983)
Total Liabilities	<u>(149,623)</u>
Deferred Inflows of Resources	<u>(2,208)</u>
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ 160,720</u>

- b. Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities:

The Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between "Net Change in Fund Balances of Governmental Funds" and "Change in Net Position of Governmental Activities" as reported in the Government-Wide Statement of Activities. One element of that reconciliation explains: "Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Donated assets are not financial resources, and therefore, are not reported in the funds." The details of this \$118,646 difference are as follows:

Capital Outlay	\$ 253,249
Donated Capital Assets	7,785
Depreciation Expense	<u>(142,388)</u>
Net adjustment to increase "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ 118,646</u>

Another element of the reconciliation states: "The net effect of various miscellaneous transactions involving capital assets (e.g., retirements and transfers) is to decrease net position." The details of this \$(8,121) are as follows:

In the Statement of Activities, only the net loss on the sale/retirement of capital assets is reported. However, in the governmental funds, the proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the net book value of the capital assets sold/retired.	\$ (6,904)
Transfers of capital assets to business-type activities decrease net position on the Statement of Activities, but do not appear in the governmental funds because they are not financial uses.	<u>(1,217)</u>
Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ (8,121)</u>

Another element of the reconciliation states: "Internal service funds are used to charge the costs of activities such as Fleet Operations, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The net income of certain internal service activities is reported with governmental activities." The details of this \$776 are as follows:

Allocated Operating Loss	\$ (2,314)
Nonoperating Revenues:	
Gain on Sale/Retirement of Capital Assets	808
Other Agency Grant Assistance	656
Other Nonoperating Revenues, net	164
Capital Contributions	42
Capital Asset Transfers, net	1,178
Transfers, net	<u>242</u>
Net adjustment to increase "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ 776</u>



Another element of the reconciliation states: "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this \$(21,171) difference are as follows:

Debt Issued or Incurred:	
Capital Lease Obligations	\$ (31,827)
Lease Revenue Bonds	(129,320)
Tobacco Settlement Asset-Backed Bonds	(97,855)
Total Debt Issued or Incurred	<u>(259,002)</u>
Principal Repayments:	
Capital Lease Obligations	6,207
QECB Lease Obligations	851
Loans Payable	633
Section 108 Loans Payable	325
Lease Revenue Bonds	24,035
Tobacco Settlement Asset-Backed Bonds	8,910
Total Principal Repayments	<u>40,961</u>
Refundings:	
Lease Revenue Bonds	132,550
Tobacco Settlement Asset-Backed Bonds	64,320
Total Refundings	<u>196,870</u>
Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ (21,171)</u>

Another element of the reconciliation states: "Some expenses reported in the Statement of Activities do not require the use of current financial resources (e.g., compensated absences, net pension liability), and therefore, are not accrued as expenditures in governmental funds." The details of this \$(116,063) difference are as follows:

Compensated Absences	\$ 4,047
Liability Claims	(5,735)
Reimbursement Agreement Obligations	10,325
Net Other Postemployment Benefit Obligation and Related Deferred Outflows/Inflows of Resources	(665)
Pension Liabilities and Related Deferred Outflows/Inflows of Resources	(143,376)
Interest Accrued on Long-Term Debt	2,464
Current Year Premiums and Loss on Refunding Less Amortization of Bond Premiums, Discounts, and Loss on Refunding	<u>16,877</u>
Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ (116,063)</u>

### 3. CASH AND INVESTMENTS (Dollars in Thousands)

The following is a summary of the carrying amount of cash and investments as of June 30, 2018:

	Governmental Activities	Business-Type Activities	Fiduciary Funds other than SDCERS	Subtotal	SDCERS Fiduciary Fund	Grand Total
Cash or Equity in Pooled						
Cash and Investments	\$ 1,568,849	\$ 814,382	\$ 121,457	\$ 2,504,688	\$ 1,573	\$ 2,506,261
Cash and Investments with Custodian,						
Fiscal Agents, and Trustees	31,327	91,994	78,308	201,629	288,574	490,203
Investments at Fair Value	44,848	—	1,194,348	1,239,196	8,083,419	9,322,615
Securities Lending Collateral	—	—	—	—	171,321	171,321
<b>Total</b>	<b>\$ 1,645,024</b>	<b>\$ 906,376</b>	<b>\$ 1,394,113</b>	<b>\$ 3,945,513</b>	<b>\$ 8,544,887</b>	<b>\$ 12,490,400</b>

#### a. Cash or Equity in Pooled Cash and Investments

Cash or Equity in Pooled Cash and Investments represents petty cash and cash held with banks in demand deposit and/or savings accounts. Furthermore, it represents equity in pooled cash and investments, which is discussed in further detail below.

As provided for by California Government Code, the cash balances of substantially all funds and certain outside entities are pooled and invested by the City Treasurer for the purpose of increasing interest earnings through investment activities. The respective funds' shares of the total pooled cash and investments are included in the table above, under the caption Cash or Equity in Pooled Cash and Investments.

The following represents a summary of the items included in the Cash or Equity in Pooled Cash and Investments line item:

Cash on Hand - Petty Cash	\$ 199
Deposits - Other Cash and Cash Equivalents	16,122
City Treasurer's Pooled Investments and Deposits	2,488,367
SDCERS Cash Deposits	1,573
<b>Total Cash or Equity in Pooled Cash and Investments</b>	<b>\$ 2,506,261</b>

A summary of the investments held by the City Treasurer's Investment Pool as of June 30, 2018 is presented in the table below:

Investment	Fair Value	Book Value	Interest Rate % Range	Maturity Range
Agency Discount Notes	\$ 104,446	\$ 104,370	1.63-2.24% <sup>1</sup>	7/2/2018-4/24/2019
Agency Notes and Bonds	304,559	308,917	0.88-2.50%	6/21/2019-4/13/2021
Asset Backed Securities	383,240	385,982	1.14-2.67%	8/15/2019-1/20/2023
Commercial Paper	548,001	545,036	1.63-2.44%	7/2/2018-12/28/2018
Medium Term Notes and Bonds	481,391	486,521	1.20-3.15%	2/22/2019-6/23/2021
State Local Agency Investment Fund (LAIF) <sup>2</sup>	61,062	61,176	1.51%	1/9/2019
Supranationals	223,175	224,586	1.00-2.13%	7/2/2018-11/9/2020
U.S. Treasury Obligations - Bills	19,997	19,914	1.69%	7/5/2018
U.S. Treasury Obligations - Notes	379,647	384,911	0.75-2.13%	6/15/2019-1/31/2022
<b>Total</b>	<b>\$ 2,505,518</b>	<b>\$ 2,521,413</b>		

<sup>1</sup> Discount Rates

<sup>2</sup> LAIF - The State Treasurer's pooled investment program values participants' shares based on amortized cost. This has been adjusted to fair value using the LAIF Factor. Maturity range is based on weighted average maturity of 193 days.

b. Cash and Investments with Custodian, Fiscal Agents, and Trustees

Cash and Investments with Custodian, Fiscal Agents, and Trustees include cash and investments held by trustees resulting from bond issuances. These funds represent bond funds, including but not limited to debt service reserve funds, construction funds, costs of issuance funds, and liquid investments held by trustees as legally required by bond issuances. In the Fiduciary Statement of Net Position, Cash with Custodian/Fiscal Agent includes construction contract retention deposits held in escrow accounts and the City's balance for the Preservation of Benefits Plan (POB Plan). The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under Internal Revenue Code (IRC) section 415(m) and is discussed in further detail in Note 12. Additionally, Cash with Custodian/Fiscal Agent includes SDCERS' transaction settlements, held in each investment manager's portfolio, which are invested overnight by SDCERS' custodial bank. Furthermore, it represents the SDCERS portion of funds held as cash collateral for SDCERS' cash overlay program.

c. Investments at Fair Value

Investments at Fair Value represents investments of SDCERS, the Supplemental Pension Savings Plan, 401(a) Plan, 401(k) Plan, investments managed by the City Treasurer (which are not part of the City Treasurer's Investment Pool) and investments managed by the Funds Commission. Investments under the management of the Funds Commission are reported in the Permanent funds (Cemetery Perpetuity Fund, Los Penasquitos Canyon Preserve Fund, and Effie Sergeant Library Fund) and in the Other Special Revenue-Unbudgeted funds (Edwin A. Benjamin Fund, Jane Cameron Estate, and Gladys Edna Peters Fund).

d. Investment Policy

In accordance with City Charter Section 45, the City Treasurer is responsible for the safekeeping and investment of the unexpended cash in the City Treasury. The City Treasurer is also responsible for maintaining the City of San Diego City Treasurer's Investment Policy (Investment Policy), which is presented to City Council annually. This Investment Policy applies to all of the investment activities of the City except for the pension trust funds, the proceeds of certain debt issues (which are managed and invested at the direction of the City Treasurer in accordance with the applicable indenture or by Trustees appointed under indenture agreements or by fiscal agents), and the assets of funds placed in the custody of the Funds Commission by Council ordinance.

City staff reviews the Investment Policy annually and may make revisions based upon changes to the California Government Code and the investment environment. These suggested revisions are presented to the City Treasurer's Investment Advisory Committee (IAC) for review and comment. The IAC consists of two City representatives and three outside financial professionals with market and portfolio expertise not working for the City. The City Council reviews the Investment Policy and considers acceptance on an annual basis.

The Investment Policy is governed by the California Government Code (CGC), § 53600 et seq. The following table presents the authorized investments, requirements, and restrictions per the CGC and the Investment Policy:

Investment Type	Maximum Maturity <sup>1</sup>		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating <sup>9</sup>	
	CGC	City Policy	CGC	City Policy	CGC	City Policy	CGC	City Policy
U.S. Treasury Obligations (bills, bonds, or notes)	5 years	5 years	None	None	None	None	None	None
U.S. Agencies	5 years	5 years	None	(2)	None	(2)	None	None
Supranationals <sup>5</sup>	5 years	5 years	30%	30%	30%	10%	AA	AA
Bankers' Acceptances <sup>6</sup>	180 days	180 days	40%	40%	30%	10%	None	(3)
Commercial Paper <sup>6</sup>	270 days	270 days	25%	25%	10%	10%	P-1	P-1
Negotiable Certificates of Deposit <sup>6</sup>	5 years	5 years	30%	30%	None	10%	None	(3)
Repurchase Agreements	1 year	1 year	None	None	None	None	None	None
Reverse Repurchase Agreements <sup>4</sup>	92 days	92 days	20%	20%	None	None	None	None
Local Agency Investment Fund	N/A	N/A	None	None	None	None	None	None
Non-Negotiable Time Deposits <sup>6, 7</sup>	5 years	5 years	None	25%	None	10%	None	(3)
Medium Term Notes/Bonds <sup>6</sup>	5 years	5 years	30%	30%	None	10%	A	A
Municipal Securities of California Local Agencies <sup>6</sup>	5 years	5 years	None	20%	None	10%	None	A
Mutual Funds	N/A	N/A	20%	20%	10%	5%	AAA	AAA
Notes, Bonds, or Other Obligations	5 years	5 years	None	None	None	None	None	AA
Mortgage and Asset-Backed Securities	5 years	5 years	20%	20%	None	None	AA	AAA
Financial Futures <sup>8</sup>	N/A	None	N/A	None	N/A	None	N/A	None

<sup>1</sup> In the absence of a specified maximum, the maximum is 5 years.

<sup>2</sup> No more than one-third of the cost value of the total portfolio at time of purchase can be invested in the unsecured debt of any one agency.

<sup>3</sup> Credit and maturity criteria must be in accordance with Section XII of the City's Investment Policy.

<sup>4</sup> Maximum % of portfolio for Reverse Repurchase Agreements is 20% of base value.

<sup>5</sup> International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

<sup>6</sup> Investment types with a 10% maximum with one issuer are further restricted per the City's Investment Policy: 5% per issuer and an additional 5% with authorization by the City Treasurer.

<sup>7</sup> Time deposits with the Certificate of Deposit Account Registry Service (CDARS) are further restricted per the City's Investment Policy: 1 year maximum maturity and 2% maximum of the portfolio.

<sup>8</sup> Financial futures transactions would be purchased only to hedge against changes in market conditions for the reinvestment of bond proceeds.

<sup>9</sup> Minimum credit rating categories include modifications (+/-).

In the event a discrepancy exists between the CGC and City Policy, the more restrictive parameters will take precedence. Percentage holding limits listed in the table apply at the time the security is purchased.

According to the Investment Policy, the City may enter into repurchase and reverse repurchase agreements only with primary dealers of the Federal Reserve Bank of New York with which the City has entered into a master repurchase agreement.

Additionally, the Investment Policy authorizes investment in other specific types of securities. The City may invest in floating rate notes with coupon resets based upon a single fixed income index (which would be representative of an eligible investment), provided that security is not leveraged or has a coupon that resets inversely to the underlying index. Structured notes issued by U.S. Government agencies that contain imbedded calls or options are authorized as long as those securities are not inverse floaters, range notes, or interest only strips derived from a pool of mortgages. A maximum of 8% of the "cost value" of the pooled portfolio may be invested in structured notes.

Ineligible investments prohibited from use in the portfolio include, but are not limited to, common stocks and long-term corporate notes/bonds. The Investment Policy is available online at the following website address: [www.sandiego.gov/treasurer/investments/invpolicy.shtml](http://www.sandiego.gov/treasurer/investments/invpolicy.shtml).

### *Other Investment Policies*

The City currently has a Funds Commission whose role is to supervise and control all trust, perpetuity, and investment funds of the City and such pension funds as shall be placed in its custody. The statutory authority for the Funds Commission is created in City Charter Article V, Section 41(a). While the duties described in the creation document form broad authority for the Funds Commission, in practice, the Funds Commission only oversees investments related to a small number of permanent endowments. The allowable investments for these funds are different than those as prescribed in the City of San Diego City Treasurer's Investment Policy. Each permanent endowment fund has its own separate investment policy.

The City and its component units have funds invested in accordance with various bond indenture and trustee agreements. The investment of these bond issuances is in accordance with the Permitted Investments section and applicable account restrictions outlined in the Indenture of each bond issuance. The Permitted Investments section in each Indenture will vary based upon the maturity, cash flow demands, and reserve requirements associated with each issuance. In general, the Permitted Investments section of each Indenture will closely resemble the Investment Policy, but may include certain investment options not authorized by applicable law for the Investment Policy (CGC § 53601).

#### e. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the City's custodian banks. The City does not value any of its investments using Level 3 inputs.

The table below represents the City's fair value hierarchy as of June 30, 2018:

Investment Type	Fair Value	Level 1	Level 2
Asset Backed Securities	\$ 383,240	\$ —	\$ 383,240
Commercial Paper	587,808	—	587,808
Exchange Traded Funds	4,712	4,712	—
Government Mortgage Backed Securities	6	—	6
Medium Term Notes and Bonds	483,440	—	483,440
Mutual Funds	1,205,521	—	1,205,521
Negotiable Certificates of Deposit	1,300	—	1,300
Stocks	3,206	3,206	—
Supranationals	223,175	—	223,175
U.S. Agencies	419,360	—	419,360
U.S. Treasury Obligations - Bills, Bonds and Notes	470,469	—	470,469
Total Investments & Cash Equivalents by Fair Value Level	<u>\$ 3,782,237</u>	<u>\$ 7,918</u>	<u>\$ 3,774,319</u>

Asset backed securities, commercial paper, government mortgage backed securities, medium term notes and bonds, mutual funds, negotiable certificates of deposit, supranationals, investments in U.S. Agencies, and U.S. Treasury bills, bonds and notes are all classified in Level 2 of the fair value hierarchy. These investments are valued using either bid evaluation or matrix pricing techniques. Bid evaluation may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value the securities based on the securities' relationship to benchmark quoted prices which are maintained by various pricing vendors.

Investments in guaranteed investment contracts are valued at cost and exempt from the fair value hierarchy. Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) are not classified in the fair value hierarchy. The City values investments in money market mutual funds and repurchase agreements at NAV based on amortized cost. The City also has investments in LAIF which are reported based upon the application of a fair value factor to each one dollar share invested, and therefore are not included in the fair value hierarchy.

#### **City of San Diego - Disclosures for Specific Risks**

f. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk for the City Treasurer's Investment Pool is intended to be mitigated by establishing two portfolios: a liquidity portfolio and a core portfolio. Target durations are based upon the expected short and long-term cash needs of the City. The liquidity portfolio is structured with an adequate mix of highly liquid securities and maturities to meet major cash outflow requirements for at least six months (per CGC § 53646). The liquidity portfolio uses the Bank of America Merrill Lynch 3-6 month Treasury Index as a benchmark with a target duration of plus or minus 40% of benchmark.

The core portfolio uses the Bank of America Merrill Lynch 1-3 year Treasury Index as a benchmark with a target duration of plus or minus 20% of the benchmark. It consists of high quality liquid securities with a maximum maturity of 5 years and is structured to meet the longer-term cash needs of the City. Information about the sensitivity of the fair value of the City's investments to market interest rate fluctuations is presented in the table on the following page.

As of June 30, 2018, the City's investments (dollars in thousands) by maturity are as follows:

	Years				Fair Value (In Thousands)
	Under 1	1-3	3-5	Over 5	
<b>City Treasurer's Investment Pool:</b>					
Asset Backed Securities	\$ —	\$ 112,416	\$ 270,824	\$ —	\$ 383,240
Commercial Paper	548,001	—	—	—	548,001
Medium Term Notes and Bonds	72,727	408,664	—	—	481,391
State Local Agency Investment Fund	61,062	—	—	—	61,062
Supranationals - IADB <sup>1</sup>	24,676	24,664	—	—	49,340
Supranationals - IBRD <sup>2</sup>	124,709	49,126	—	—	173,835
U.S. Agencies - Federal Farm Credit Bank	20,000	—	—	—	20,000
U.S. Agencies - Federal Home Loan Bank	109,142	73,580	—	—	182,722
U.S. Agencies - Federal Home Loan Mortgage Corporation	—	83,524	—	—	83,524
U.S. Agencies - Federal National Mortgage Association	—	122,759	—	—	122,759
U.S. Treasury Obligations - Bills and Notes	44,648	257,729	97,267	—	399,644
	<u>1,004,965</u>	<u>1,132,462</u>	<u>368,091</u>	<u>—</u>	<u>2,505,518</u>
<b>Non-Pooled Investments with City Treasurer:</b>					
Commercial Paper	9,110	—	—	—	9,110
U.S. Treasury Obligations - Notes	—	13,487	—	—	13,487
	<u>9,110</u>	<u>13,487</u>	<u>—</u>	<u>—</u>	<u>22,597</u>
<b>Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:</b>					
Commercial Paper	30,697	—	—	—	30,697
Exchange Traded Funds - Equity <sup>3</sup>	1,412	—	—	—	1,412
Exchange Traded Funds - Fixed Income	—	—	987	2,313	3,300
Government Mortgage Backed Securities	—	—	—	6	6
Guaranteed Investment Contracts	—	—	—	9,223	9,223
Medium Term Notes and Bonds	—	764	506	779	2,049
Money Market Mutual Funds	68,312	—	—	—	68,312
Mutual Funds - Equity <sup>3</sup>	807,332	—	—	—	807,332
Mutual Funds - Fixed Income	—	382,637	568	14,984	398,189
Negotiable Certificates of Deposit	1,300	—	—	—	1,300
Repurchase Agreement	1,200	—	—	—	1,200
Stocks - Common Stock <sup>3</sup>	2,854	—	—	—	2,854
Stocks - Preferred Stock <sup>3</sup>	352	—	—	—	352
U.S. Agencies - Federal Home Loan Bank	10,355	—	—	—	10,355
U.S. Treasury Obligations - Bonds and Notes	49,609	7,305	233	191	57,338
	<u>973,423</u>	<u>390,706</u>	<u>2,294</u>	<u>27,496</u>	<u>1,393,919</u>
<b>Total Investments</b>	<b>\$ 1,987,498</b>	<b>\$ 1,536,655</b>	<b>\$ 370,385</b>	<b>\$ 27,496</b>	<b>\$ 3,922,034</b>
Cash on Hand - Petty Cash					\$ 199
Deposits - Other Cash and Cash Equivalents and Cash with Fiscal Agents/Trustees					9,734
Deposits - Cash with Fiscal Agents/Trustees Held in Escrow Accounts					13,546
<b>Total Investments, Cash on Hand, and Deposits</b>					<b>\$ 3,945,513</b>

<sup>1</sup> Inter-American Development Bank.

<sup>2</sup> International Bank for Reconstruction and Development.

<sup>3</sup> Equity exchange traded funds, equity mutual funds, and stocks do not have maturities.

g. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill their obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The City mitigates credit risk through its Investment Policy. Section d. outlines the authorized investments, requirements, and restrictions per the City's Investment Policy. As of June 30, 2018, the City's investments and corresponding credit ratings are as follows:

	Moody's	S&P	Fair Value	Percentage
City Treasurer's Investment Pool:				
Asset Backed Securities	Aaa	Not Rated	\$ 205,416	8.20%
Asset Backed Securities	Not Rated	AAA	177,824	7.10%
Commercial Paper	P-1	Not Provided	548,001	21.87%
Medium Term Notes and Bonds	Aaa	Not Provided	25,017	1.00%
Medium Term Notes and Bonds	Aa1	Not Provided	35,306	1.41%
Medium Term Notes and Bonds	Aa2	Not Provided	24,947	1.00%
Medium Term Notes and Bonds	Aa3	Not Provided	40,525	1.62%
Medium Term Notes and Bonds	A1	Not Provided	170,799	6.82%
Medium Term Notes and Bonds	A2	Not Provided	128,857	5.14%
Medium Term Notes and Bonds	A3	Not Provided	55,940	2.23%
State Local Agency Investment Fund	Not Rated	Not Rated	61,062	2.44%
Supranationals - IADB <sup>2</sup>	Aaa	Not Provided	49,340	1.97%
Supranationals - IBRD <sup>3</sup>	Aaa	Not Provided	49,126	1.96%
Supranationals - IBRD <sup>3</sup>	P-1	Not Provided	124,709	4.98%
U.S. Agencies - Federal Farm Credit Bank	P-1	Not Provided	20,000	0.80%
U.S. Agencies - Federal Home Loan Bank <sup>1</sup>	P-1	Not Provided	84,446	3.37%
U.S. Agencies - Federal Home Loan Bank <sup>1</sup>	Aaa	Not Provided	98,276	3.92%
U.S. Agencies - Federal Home Loan Mortgage Corporation	Aaa	Not Provided	83,524	3.33%
U.S. Agencies - Federal National Mortgage Association	Aaa	Not Provided	122,759	4.90%
U.S. Treasury Obligations - Bills and Notes	Exempt	Exempt	399,644	15.94%
			<u>2,505,518</u>	<u>100.00%</u>
Non-Pooled Investments with City Treasurer:				
Commercial Paper <sup>1</sup>	P-1	Not Provided	9,110	40.32%
U.S. Treasury Obligations - Notes	Exempt	Exempt	13,487	59.68%
			<u>22,597</u>	<u>100.00%</u>



	Moody's	S&P	Fair Value	Percentage
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:				
Commercial Paper	P-1	Not Provided	\$ 28,852	2.07%
Commercial Paper	Not Provided	A-1+	796	0.06%
Commercial Paper	Not Provided	A-1	1,049	0.08%
Exchange Traded Funds - Equity	Not Rated	Not Rated	1,412	0.10%
Exchange Traded Funds - Fixed Income	Not Rated	Not Rated	3,300	0.24%
Government Mortgage Backed Securities	Not Rated	Not Rated	6	0.01%
Guaranteed Investment Contracts	Not Rated	Not Rated	9,223	0.66%
Medium Term Notes and Bonds	Aa2	Not Provided	304	0.02%
Medium Term Notes and Bonds	Aa3	Not Provided	305	0.02%
Medium Term Notes and Bonds	A1	Not Provided	451	0.03%
Medium Term Notes and Bonds	A2	Not Provided	502	0.04%
Medium Term Notes and Bonds	A3	Not Provided	487	0.03%
Money Market Mutual Funds	Aaa	Not Provided	64,277	4.61%
Money Market Mutual Funds	Not Provided	AAA	1,651	0.12%
Money Market Mutual Funds	Not Rated	Not Rated	2,384	0.17%
Mutual Funds - Equity	Not Rated	Not Rated	807,332	57.91%
Mutual Funds - Fixed Income	Not Rated	Not Rated	398,189	28.56%
Negotiable Certificates of Deposit	Not Rated	A-1+	600	0.04%
Negotiable Certificates of Deposit	Not Rated	A-1	700	0.05%
Repurchase Agreement	Not Rated	AAA	1,200	0.09%
Stocks - Common Stock	Not Rated	Not Rated	2,854	0.20%
Stocks - Preferred Stock	Not Rated	Not Rated	352	0.03%
U.S. Agencies - Federal Home Loan Bank	Aaa	Not Provided	7,611	0.55%
U.S. Agencies - Federal Home Loan Bank	Not Provided	A-1+	2,744	0.20%
U.S. Treasury Obligations - Bonds and Notes	Exempt	Exempt	57,338	4.11%
			<u>1,393,919</u>	<u>100.00%</u>
Total Investments			<u>\$ 3,922,034</u>	

"Exempt" - Per GASB Statement No. 40, U.S. Treasury Obligations do not require disclosure of credit quality.

<sup>1</sup> More than 5% of total investments are with Commercial Paper and U.S. Agencies whose debt is not backed by the full faith and credit of the U.S. Government.

<sup>2</sup> Inter-American Development Bank.

<sup>3</sup> International Bank for Reconstruction and Development.

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. GASB Statement No. 40 requires disclosure of certain investments in any one issuer that represents 5% or more of total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt. As of June 30, 2018, the City exceeded the 5% limit of total investments in Bayerische Landesbank and J.P. Morgan Securities Commercial Paper and issuers of various U.S. Agencies. Investments exceeding the 5% limit are referenced in the credit ratings table above.

#### h. Custodial Credit Risk

Custodial credit risk is the risk that if a financial institution or counterparty fails, the City would not be able to recover the value of its deposits or investments. The City does not have a specific policy relating to custodial credit risk. The City's exposure to custodial credit risk is further discussed below.

##### *Deposits*

At June 30, 2018, the carrying amount of the City's cash on hand and deposits was approximately \$9,933 and the bank balance was approximately \$33,705; the difference is substantially due to outstanding checks. For the balance of cash deposits in financial institutions, approximately \$1,755 was covered by federal depository insurance and approximately \$31,950 was uninsured. Pursuant to the California Government Code, California banks and savings and loan associations are required to secure the City's deposits not covered by federal depository insurance by pledging government securities as collateral. As such, \$31,950 of the City's deposits are pledged at 110% and held by a bank acting as the City's agent in the City's name.

The City also has deposits held in escrow accounts with a carrying amount and bank balance of approximately \$13,546. For the balance of deposits in escrow accounts, approximately \$2,656 was covered by federal depository insurance. The remaining balance of \$10,890 was uninsured, but collateralized and pledged at 110%.

##### *Investments*

At June 30, 2018, all of the City's investments were held in the City's name and were not exposed to custodial credit risk.

i. Restricted Cash and Investments

Cash and investments at June 30, 2018 that are restricted by legal or contractual requirements are comprised of the following:

Governmental Funds	
General Fund	\$ 6,087
Special Revenue	4,046
Debt Service	12,139
Capital Projects	48,507
Permanent Endowments	20,763
Total Governmental Funds	<u>91,542</u>
Sewer Utility Enterprise Fund	
Interest and Redemption Funds	69,772
Water Utility Enterprise Fund	
Customer Deposits	7,786
Interest and Redemption Funds	16,165
Total Water Utility Enterprise Fund	<u>23,951</u>
Nonmajor Enterprise Funds	
Airports Fund - Deposits and Advances	76
Development Services Fund - Deposits and Advances	7,975
Environmental Services Fund - Funds set aside for landfill site closure and maintenance costs	32,274
Recycling Fund - Customer deposits	11,551
San Diego Convention Center Corporation	3,211
Total Nonmajor Enterprise Funds	<u>55,087</u>
Private-Purpose Trust Fund	44,001
Miscellaneous Agency Funds	
Special Assessment Funds and Retention Held in Escrow Accounts	34,292
Total Restricted Cash and Investments	<u>\$ 318,645</u>

**Summary of Total Cash and Investments**

Total Unrestricted Cash and Investments	\$ 12,171,755
Total Restricted Cash and Investments	<u>318,645</u>
Total Cash and Investments	<u>\$ 12,490,400</u>
Total Governmental Activities	\$ 1,645,024
Total Business-Type Activities	906,376
Total Fiduciary Activities	<u>9,939,000</u>
Total Cash and Investments	<u>\$ 12,490,400</u>

## San Diego City Employees' Retirement System (SDCERS) - Disclosures for Policy and Specific Risks

Narratives and tables presented in the following sections (j. through u.) are taken directly from the comprehensive annual financial report of the San Diego City Employees' Retirement System as of June 30, 2018 (certain terms have been modified to conform to the City's CAFR presentation).

<b>Summary of Cash and Investments - SDCERS</b>	
Cash on Deposit with Wells Fargo Bank	\$ 1,573
Cash and Cash Equivalents on Deposit with Custodial Bank and Fiscal Agents	288,574
Investments at Fair Value:	
Domestic Fixed Income Securities	2,043,704
International Fixed Income Securities	562,128
Domestic Equity Securities	1,798,974
International Equity Securities	1,302,229
Global Equity Securities	394,933
Real Estate	837,876
Private Equity and Infrastructure	1,143,575
Securities Lending Collateral	171,321
Total Cash and Investments for SDCERS	<u>\$ 8,544,887</u>

### j. Investment Policy and Portfolio Risk

The Board of Administration of SDCERS (Board) has exclusive authority over the administration and investment of SDCERS' Trust Fund assets pursuant to Section 144 of the City Charter and the California State Constitution Article XVI, Section 17. The Board is authorized to invest in bonds, notes or other obligations, common stock, preferred stock, real estate investments, private equity, infrastructure and pooled vehicles. The risks and correlations of each asset class and investment manager are considered relative to an entire portfolio. Investment policies permit the Board to invest in financial futures contracts provided the contracts do not hedge SDCERS' Trust Fund portfolio. Financial futures contracts are recorded at fair value each day and must be settled at expiration date. Changes in the fair value of the contracts result in the recognition of a gain or loss.

Net investment income includes the net appreciation (depreciation) in the fair value of investments, interest income, dividend income, and other income not included in the appreciation (depreciation) in the fair value of investments, less total investment expenses, including investment management and custodial fees and all other significant investment-related costs. SDCERS' net realized gains totaled \$260,500 for the year ended June 30, 2018. Realized gains and losses are independent of the calculation of net appreciation (depreciation) in the fair value of investments. Unrealized gains and losses on investments sold in the current year that had been held for more than one year were included in net appreciation (depreciation) in the fair value of the investments reported in the prior year and current year. Pursuant to the City, Port and Airport plan documents, realized gains and losses determine whether certain contingent benefits will be paid each fiscal year. Realized gains and losses are reported in the net appreciation (depreciation) in the fair value of investments in the financial statements.

SDCERS' Policy in regard to the allocation of invested assets is established and may be amended by the Board. The asset allocation policy is reviewed and approved on an annual basis. Through its investment objectives and policies, the Board emphasizes generating a rate of return above inflation and the preservation of capital. Investments are made only after the risk/reward trade-offs are evaluated. SDCERS' assets are managed on a total return basis, which takes into consideration both investment income and capital appreciation. While SDCERS recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns.

The following was SDCERS' adopted asset allocation policy as of June 30, 2018:

Asset Class	Target Allocation
Domestic Equity	18%
International Equity	15%
Global Equity	8%
Domestic Fixed Income	22%
Emerging Market Debt	5%
Real Estate	11%
Private Equity and Infrastructure	13%
Opportunity Fund	8%
Total	100%

For the fiscal year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 8.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

SDCERS' investment portfolio includes fixed income strategies to diversify the investment portfolio. The percentage allocated to these strategies is based on information derived from the Asset/Liability Study performed every three years. The returns of fixed income strategies vary less than equity returns. SDCERS' target asset allocation policy is reviewed each year. SDCERS' long-term target allocation to fixed income strategies as of June 30, 2018 was 27%, which includes domestic fixed income and emerging market debt. The fixed income allocation is externally managed and is comprised as follows: 22% to core domestic fixed income, which is benchmarked to the Barclays Capital Intermediate Aggregate Bond Index; and 5% to emerging market debt, which is benchmarked 40% to JP Morgan Emerging Market Bond Index Global Diversified and 60% to JP Morgan Government Bond Index-Emerging Market Global Diversified. A 2% target allocation to convertible bond securities, which is benchmarked to the Merrill Lynch All Convertibles All Qualities Index, is not included in the fixed income allocation, but instead is included in the domestic equity allocation. However, given that these convertible securities have fixed income attributes, the convertible bond allocation is included in the investment risk disclosures. SDCERS' overall portfolio diversification limits the fixed income invested in the debt security of any one issuer to 10% of the portfolio at the time of the initial commitment, except for U.S. Government obligations (or agencies and instruments of the U.S. Government) to minimize overall market and credit risk.

A copy of the SDCERS' investment policy and additional details on the results of SDCERS' investment activities are available at 401 West A Street, Suite 400, San Diego, CA 92101 or online at: <https://www.sdcers.org/Investments/Overview/Policy.aspx>.

k. Fair Value Hierarchy

SDCERS categorizes their fair value measurements within the fair value hierarchy established by GAAP set forth in GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1: Unadjusted quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3: Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Where inputs used to measure fair value fall into different fair value levels, fair value measurements are categorized based on the lowest level input that is significant to the valuation. SDCERS' assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The table below shows the fair value leveling of the investments for the pension system.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

The following table represents SDCERS' fair value hierarchy as of June 30, 2018:

Investments	Fair Value	Level 1	Level 2	Level 3
Short-Term Securities	\$ (245)	\$ —	\$ (245)	\$ —
Fixed Income Securities:				
Asset-Backed Securities	48,079	—	48,079	—
Commercial Mortgage-Backed Securities	20,310	—	20,310	—
Collateralized Mortgage Obligations	43,470	—	43,470	—
Corporates	473,047	—	473,047	—
Government & Agency Obligations	259,463	—	259,463	—
Mortgage-Backed Securities	363,084	—	363,084	—
Total Fixed Income Securities	<u>1,207,453</u>	<u>—</u>	<u>1,207,453</u>	<u>—</u>
Equity Securities:				
Consumer Discretionary	119,671	119,671	—	—
Consumer Staples	48,259	48,259	—	—
Energy	80,096	80,096	—	—
Financials	148,022	148,022	—	—
Healthcare	172,126	172,126	—	—
Industrials	64,700	64,700	—	—
Information Technology	137,210	137,210	—	—
Materials	22,248	22,248	—	—
Real Estate Investment Trust	11,010	11,010	—	—
Telecommunication Services	19,868	19,868	—	—
Utilities	14,066	14,066	—	—
Total Equity Securities	<u>837,276</u>	<u>837,276</u>	<u>—</u>	<u>—</u>
Real Estate	<u>146,299</u>	<u>—</u>	<u>—</u>	<u>146,299</u>
Investment Derivative Instruments				
Fixed Income Securities:				
Credit Default Swaps	192	—	192	—
Foreign Currency Forwards	1,153	—	1,153	—
Interest Rate Swaps	1,786	—	1,786	—
Options - Fixed Income	(90)	—	(90)	—
Options - Futures	(6)	—	(6)	—
Equity Securities:				
Rights	139	—	139	—
Total Investment Derivative Instruments	<u>3,174</u>	<u>—</u>	<u>3,174</u>	<u>—</u>
Total Investments by Fair Value Level <sup>1</sup>	<u>\$ 2,193,957</u>	<u>\$ 837,276</u>	<u>\$ 1,210,382</u>	<u>\$ 146,299</u>

<sup>1</sup> Total Investments measured at fair value plus total investment derivatives differs from the total investments including securities lending collateral on the Fiduciary Statement of Net Position because of investment receivables and payables unrealized gains and losses. Total investments at fair value excludes \$64 of unrealized losses.

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt and fixed income derivative securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the relationship of the securities to benchmark quoted prices. Index linked fixed income securities are valued by multiplying the external market price by the applicable day's Index Ratio. Level 2 fixed income securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities.

Real estate assets classified in Level 3 are real estate investments generally valued using the income approach or appraisal approach by SDCERS' real estate managers and third-party appraisal firms. SDCERS' policy is to obtain an external appraisal a minimum of every three years for properties or portfolios that the retirement system has some degree of control or discretion. Appraisals are performed by an independent appraiser with preference for Member Appraisal Institute (MAI) designated appraisers. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments Measured at NAV	NAV	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
<b>Equity Investments:</b>				
Commingled Domestic Equity Funds	\$ 1,409,834	\$ —	Daily	0-5 Days
Commingled International Equity Funds	1,057,339	—	Daily, Monthly	0-30 Days
Commingled Global Equity Funds	191,586	—	Daily	None
Total Equity Investments Measured at NAV	<u>2,658,759</u>	<u>—</u>		
<b>Fixed Income Investments:</b>				
Commingled Domestic Fixed Income Funds	833,911	—	Daily	None
Commingled International Fixed Income Funds	561,704	63,721	Daily	0-5 Days
Total Fixed Income Investments Measured at NAV	<u>1,395,615</u>	<u>63,721</u>		
<b>Real Estate Investments:</b>				
Real Estate Limited Partnerships	197,185	208,001	Not Eligible	N/A
Commingled Real Estate Funds	494,392	93,052	Monthly	None
Total Real Estate Investments Measured at NAV	<u>691,577</u>	<u>301,053</u>		
<b>Private Equity &amp; Infrastructure Investments:</b>				
Commingled Private Equity & Infrastructure Funds	1,143,575	796,665	Not Eligible	N/A
<b>Invested Securities Lending Collateral :</b>				
Commingled Equity Securities	22,449	—	Daily	3 Days
Commingled Fixed Income Securities	148,872	—	Daily	3 Days
Total Invested Securities Lending Collateral Measured at NAV	<u>171,321</u>	<u>—</u>		
Total Investments Measured at NAV	<u>\$ 6,060,847</u>	<u>\$ 1,161,439</u>		

Investments that are measured at NAV are not classified in the fair value hierarchy but are disclosed in the table above.

Commingled Domestic Equity Funds consist of a large cap passive index fund, a large cap growth passive index fund, a small cap growth passive index fund, and a fund that invests in U.S. small cap value equities, and an options trading strategy blended with passive index fund. The Commingled International Equity Funds consist of broad international equity passive index funds with exposure to both developed and emerging markets, two funds that invest in emerging market equities, and two funds that invest in international small cap equities. The Commingled Global Equity Funds consist of two funds that invest in both international and U.S. equities. The fair values of the investments in these types have been determined using the NAV per share (or its equivalent).

The Commingled Domestic Fixed Income Funds consist of three funds that invest in domestic fixed income securities and one broad based domestic fixed income passive index fund. The Commingled International Fixed Income Funds consist of three emerging market debt funds and two funds that invest in global credit strategies. The fair values of the investments in these types have been determined using the NAV per share (or its equivalent).

The Commingled Real Estate Funds consist of seven open-ended commingled funds and 26 real estate limited partnerships that are invested in apartments, retail, industrial, and office assets throughout the United States, Europe and Asia. Although the open-ended commingled funds are private investments, they can be redeemed on a monthly basis, subject to available liquidity, and the fair value of these investments has been determined using the NAV per share (or its equivalent). Investments in the limited partnerships can never be redeemed with the funds. Instead, the nature of these investment funds is that distributions from each investment will be received as the underlying investments are liquidated. Because it is not probable that any individual investment will be sold, the fair value of SDCERS' ownership interest in partner's capital has been determined using the NAV per share (or its equivalent).

The Commingled Private Equity and Infrastructure Funds consist of two limited partnerships that are managed by two discretionary advisors. Generally, the limited partnerships invest in venture capital, growth equity, buyouts, special situations, mezzanine, and distressed debt. These investments are considered illiquid and cannot be redeemed during the lives of the partnerships. Instead, the nature of these investments is that distributions from each investment will be received as the underlying investments are liquidated. Because it is not probable that any individual investment will be sold, the fair value of SDCERS' ownership interest in partner's capital has been determined using the NAV per share (or its equivalent).

I. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Fixed income portfolios use duration to measure how a change in interest rates will affect the value of the portfolio. SDCERS does not have a general investment policy that addresses interest rate risk. Rather, each investment manager's specific investment guidelines place limits on each portfolio to manage interest rate risk.

Convertible bonds are generally less sensitive to changes in interest rates and more sensitive to the profitability of the underlying issuer. Company fundamentals are the overriding factor in the bond's return, while fluctuations in interest rates have significantly less impact.



The following table identifies the durations of SDCERS' domestic and international fixed income strategies based on portfolio holdings as of June 30, 2018:

Type of Security	Effective Duration (in years)	Fair Value <sup>1</sup>
Asset-Backed Securities	0.33	\$ 48,079
Commercial Mortgage-Backed Securities	3.41	20,310
Collateralized Mortgage Obligations <sup>2</sup>	0.47	43,397
Corporate Bonds <sup>3</sup>		
Bank Loans	0.09	10,999
Corporate Bonds	2.21	268,407
Government and Agency Obligations <sup>4</sup>		
Municipal Securities	3.26	4,757
Foreign Securities	0.58	28,641
Treasury Securities	4.68	226,065
Mortgage-Backed Securities	5.15	363,084
Total		<u>\$ 1,013,739</u>

<sup>1</sup> Fair Value does not include convertible bonds, mutual funds and derivative instruments of \$1,592,093. These securities do not exhibit interest rate risk and/or duration cannot be calculated.

<sup>2</sup> Collateralized Mortgage Obligations do not include bonds of \$73 as duration was not available for these securities.

<sup>3</sup> Corporate Bonds do not include convertible securities of \$193,641.

<sup>4</sup> Duration could not be calculated for the derivative instruments, short-term instruments and mutual funds of \$1,398,379 within the Short-Term/Other category. Although the duration was not available for these securities, the weighted average maturity was calculated for the mutual funds.

The following table depicts the weighted average maturity for the commingled mutual funds:

Name of Institutional Mutual Fund	Fair Value	Weighted Average Maturity (in years)
BlackRock U.S. Debt NL Fund	\$ 782,937	5.31
Davidson Kempner Special Opportunities Fund III <sup>1</sup>	35,027	—
Davidson Kempner Special Opportunities Fund IV <sup>1</sup>	4,575	—
GCM WindandSea Fund	154,739	1.90
Investec Emerging Market Debt	126,439	8.87
Metropolitan West Floating Rate	3,662	5.34
Metropolitan West High Yield Bond Fund	3,381	4.31
PIMCO PAPS Short-Term Floating NAV II Portfolio	43,932	0.02
Stone Harbor	128,956	10.27
Wellington Trust Company CIF II Opportunistic	111,967	11.00
Total	<u>\$ 1,395,615</u>	

<sup>1</sup> This fund is early in its life cycle and the weighted average maturity is not applicable for the current underlying investments.

m. Investments Highly Sensitive to Interest Rate Changes

Certain terms in fixed income securities may increase the sensitivity of their fair values to changes in interest rates. The Portfolio Duration Analysis table on the previous page discloses the degree to which SDCERS' investments are sensitive to interest rate changes due simply to the remaining term to maturity. The total value of securities, as of June 30, 2018, that are highly sensitive to interest rate changes due to factors other than term to maturity are shown in the following table.

Type of Security	Fair Value	Percent of Fixed Income Portfolio
Adjustable Rate Notes	\$ 6,537	0.2%
Asset-Backed Securities	10,276	0.4%
Floating Rate Notes	132,496	5.1%
Range Notes	1,920	0.1%
Total	\$ 151,229	5.8%

Although SDCERS does not have an investment policy that pertains directly to investments that are highly sensitive to interest changes, this risk is mitigated by diversification of issuer, credit quality, maturity and security selection.

n. Credit Risk

Credit risk is the risk that an issuer or other underlying borrower to a debt instrument will not fulfill its obligations. Nationally recognized statistical rating organizations (NRSROs) assign ratings to measure credit risk. These rating agencies assess a firm's or government's willingness and ability to repay its debt obligations based on many factors.

SDCERS employs two core bond managers that invest primarily in U.S. fixed income and derivative securities, fixed income mutual funds, and some non-U.S. fixed income securities. SDCERS also invests in three emerging market debt commingled funds, one passive core fixed income index fund, and two opportunistic global credit funds. The investment management agreements between SDCERS and its two core bond managers contain specific investment guidelines that identify permitted fixed income investments. One of SDCERS' domestic core fixed income managers has limited tactical discretion to invest in non-U.S. fixed income securities.

The permitted securities and derivatives for the two domestic core fixed income managers include U.S. Government and agency obligations, collateralized mortgage obligations, U.S. corporate securities, commercial mortgage backed securities, asset backed securities, futures, forwards, options, interest rate swaps and credit default swaps. Investment guidelines include minimum average portfolio quality of AA- rating (fair value weighted) for SDCERS' domestic fixed income manager and minimum average portfolio quality of A+ for SDCERS' domestic fixed income manager with limited tactical discretion to invest in non-U.S. fixed income securities and a minimum credit quality at time of purchase of BBB- for the two domestic fixed income managers.

The permitted securities for SDCERS' domestic convertible bond portfolio include convertible bonds, convertible preferred stocks, common stocks (due to forced conversions) and synthetic convertibles. SDCERS' domestic convertible bond portfolio will generally maintain an average quality rating of at least B.

The following table identifies the credit quality of SDCERS' fixed income strategies based on portfolio holdings as of June 30, 2018.

S&P Quality Rating <sup>4</sup>	Total Fair Value	Asset-Backed Securities	Commercial Mortgage-Backed Securities	Collateralized Mortgage Obligations	Corporates <sup>1</sup>	Government and Agency Obligations <sup>2</sup>	Mortgage-Backed Securities	Short-Term/Other
U.S. Treasuries	\$ 226,065	\$ —	\$ —	\$ —	\$ —	\$ 226,065	\$ —	\$ —
GNMA Securities	34,961	—	—	—	—	—	34,961	—
AAA	43,248	20,943	6,580	68	15,657	—	—	—
AA+	340,238	7,810	—	3,308	997	—	328,123	—
AA	6,626	2,372	1,167	445	1,036	1,606	—	—
AA-	20,995	—	894	148	16,537	3,416	—	—
A+	28,768	984	—	1,448	24,842	1,494	—	—
A	40,938	1,313	—	2,135	37,490	—	—	—
A-	41,323	509	885	31	38,907	991	—	—
A-1+	982	982	—	—	—	—	—	—
BBB+	53,489	1,358	—	732	51,328	71	—	—
BBB	54,317	—	—	—	54,317	—	—	—
BBB-	32,187	—	—	—	32,187	—	—	—
BB+	8,559	—	—	—	8,559	—	—	—
BB	314	314	—	—	—	—	—	—
BB-	13,972	—	—	588	10,726	2,658	—	—
B+	9,184	—	—	—	7,568	1,616	—	—
B	2,203	—	—	—	2,203	—	—	—
B-	3,057	—	—	23	3,034	—	—	—
CCC+	6,746	—	—	—	6,746	—	—	—
CCC	1,937	—	—	—	1,937	—	—	—
NR <sup>5</sup>	1,635,723	11,494	10,784	34,544	158,976	21,546	—	1,398,379 <sup>3</sup>
Totals	\$ 2,605,832	\$ 48,079	\$ 20,310	\$ 43,470	\$ 473,047	\$ 259,463	\$ 363,084	\$ 1,398,379

<sup>1</sup> Corporate Bonds include convertible bonds from SDCERS' convertible bond manager.

<sup>2</sup> Includes international and municipal holdings.

<sup>3</sup> Includes fixed income commingled mutual fund investments of \$1,395,615. These institutional quality fund investments are not directly rated by major credit rating agencies.

<sup>4</sup> Credit ratings with qualifiers and rating outlooks have been combined to show the credit rating as of June 30, 2018.

<sup>5</sup> NR represents those securities that are not rated by one of the NRSROs.

Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk.

o. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. As of June 30, 2018, SDCERS had no single issuer that exceeded 5% of total investments or that exceeded 5% of plan net position (excluding investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments). With respect to the concentration of credit risk by issuer, SDCERS' Investment Policy states that not more than 10% of the fixed income portfolio shall be invested in the debt security of any one issuer at the time of initial commitment, except for U.S. Government and Agency obligations. While SDCERS does not have a general investment policy on the concentration of credit risk by issuer, each manager's specific investment guidelines place limitations on the maximum holdings in any one issuer.

p. Custodial Credit Risk

Custodial credit risk is the risk that if a financial institution or counterparty fails, SDCERS would not be able to recover the value of its deposits, investments, or securities. SDCERS' exposure to custodial credit risk is further discussed in the following paragraphs.

*Deposits*

As of June 30, 2018 SDCERS' cash balance was \$1,600. Cash and cash equivalents on deposit with custodial bank and fiscal agents was \$288,600, which includes cash collateral for SDCERS' cash overlay program of \$41,700 and residual cash held in each manager's portfolio of \$246,900, which is invested overnight by SDCERS' custodial bank. SDCERS does not have a target allocation to cash; any cash or cash equivalent balances on deposit are reserved for paying benefits and SDCERS' operational expenses.

SDCERS' un-invested cash balances held in a demand deposit account (DDA) are subject to custodial credit risk. Such a balance or deposit with the bank establishes a debtor-creditor relationship and is not subject to the protection afforded SDCERS' other investments. Cash balances held in Short-Term Investment Funds (STIF) at State Street Bank and Trust Company (State Street) are held in SDCERS' name and are not subject to custodial credit risk. As of June 30, 2018, SDCERS held \$279,900 in STIF and \$8,700 on deposit with the custodial bank. SDCERS does not have a specific policy relating to custodial credit risk because the majority of SDCERS' assets are held in SDCERS' name and are not available to satisfy the obligations of State Street to its creditors.

*Investments*

As of June 30, 2018, 100% of SDCERS' investments were held in SDCERS' name. SDCERS is not exposed to custodial credit risk related to these investments.

*Securities Lending Collateral*

SDCERS' custodial bank acts as its securities lending agent. SDCERS is exposed to custodial credit risk for the securities lending collateral such that certain collateral is received in the form of letters of credit, tri-party collateral or securities collateral. The fair value of non-cash collateral totaled \$151,000 as of June 30, 2018. The non-cash collateral is not held in SDCERS' name and cannot be sold without a borrower default. The cash collateral held by SDCERS' custodian in conjunction with the securities lending program, which totaled \$171,300 as of June 30, 2018, is also at risk as it is invested in pooled vehicles managed by the custodian. The investment characteristics of the collateral pools are disclosed in the Securities Lending section of this note.

q. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The table on the following page represents SDCERS' securities held in a foreign currency as of June 30, 2018.

Local Currency Name	Cash	Equity	Fixed Income	Total
Argentine Peso	\$ 79	\$ —	\$ 605	\$ 684
Australian Dollar	289	10,355	—	10,644
Brazilian Real	—	313	2,658	2,971
British Pound	540	71,830	3,879	76,249
Canadian Dollar	771	4,245	3,373	8,389
Danish Krone	1	5,958	15,657	21,616
Euro Currency	(351)	118,304	8,337	126,290
Hong Kong Dollar	24	19,858	—	19,882
Japanese Yen	833	69,605	16,823	87,261
Malaysian Ringgit	—	702	—	702
Mexican Peso	—	1,021	—	1,021
Norwegian Krone	—	592	—	592
South Korean Won	—	2,288	—	2,288
Swedish Krona	1	4,949	—	4,950
Swiss Franc	—	28,834	—	28,834
Taiwanese Dollar	—	393	—	393
Total	<u>\$ 2,187</u>	<u>\$ 339,247</u>	<u>\$ 51,332</u>	<u>\$ 392,766</u>

This schedule does not include the foreign currency exposure of three international equity, one global equity, two emerging market equity and two emerging market debt (fixed income) institutional commingled mutual fund investments.

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held by SDCERS as an investment. Foreign currency is held temporarily in foreign accounts until it is able to be repatriated or expended to settle trades. An important component of the diversification benefit of non-domestic investments comes from foreign currency exposure. SDCERS does not have a general investment policy in place to manage foreign currency risk or to hedge against fluctuations in foreign currency exposure. Instead, SDCERS' investment managers may hedge currencies at their discretion pursuant to their specific investment guidelines included in each of their investment management agreements.

r. Derivative Instruments

As of June 30, 2018, the derivative instruments held by SDCERS are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized in the Statement of Changes in Fiduciary Net Position.

SDCERS' investment managers, as permitted by their specific investment guidelines, may enter into transactions involving derivative financial instruments, consistent with the objectives established by the SDCERS' Investment Policy Statement. These instruments include futures, options, swaps, forwards, warrants and rights. By Board policy, these investments may not be used to leverage SDCERS' portfolio, i.e., use derivatives to increase the portfolio's notional exposure to any given asset class. These instruments are used in an attempt to enhance the portfolio's performance and/or reduce the portfolio's risk.

All investment derivatives discussed on the following page are included in the investment risk discussion (section j). Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

The following table provides a summary of the derivative instruments outstanding as of June 30, 2018:

Investment Derivative Instruments	Net Appreciation (Depreciation) in Fair Value	Fair Value at June 30, 2018		
	Amount	Classification	Amount	Notional (Dollars)
Credit Default Swaps	\$ (32)	Domestic Fixed Income	\$ 192	\$ 11,934
Fixed Income Futures	(10,813)	Domestic Fixed Income	—	196,593
Fixed Income Options	(57)	Domestic Fixed Income	(90)	(45,000)
Foreign Currency Futures	242	Domestic Fixed Income	—	—
Foreign Currency Options	103	Domestic Fixed Income	—	—
Futures Options	95	Domestic Fixed Income	(6)	(32)
Foreign Currency Forwards	217	Domestic Fixed Income	1,153	91,147
Index Futures	10,208	Domestic Fixed Income	—	20
Interest Rate Swaps	2,682	Domestic Fixed Income	1,786	180,654
Rights	(11)	Domestic Equity	139	1,285
<b>Total Derivative Instruments</b>	<b>\$ 2,634</b>		<b>\$ 3,174</b>	<b>\$ 436,601</b>

Some derivative instruments, such as credit default swaps and interest rate swaps, are not exchange traded and are priced using quarterly Over-the-Counter trading data.

Futures contracts are financial instruments that derive their value from underlying indices or reference rates and are marked-to-market at the end of each trading day. Daily settlement of gains and losses occur on the following business day. As a result, the futures contracts do not have a fair value as of June 30, 2018. Daily settlement of gains and losses is a risk control measure to limit counterparty credit risk. Futures variation margin amounts are settled each trading day and recognized in the financial statements under net appreciation (depreciation) in fair value of investments as they are incurred.

Foreign currency forward contracts are obligations to buy or sell a currency at a specified exchange rate and quantity on a specific future date. The fair value of the foreign currency forwards is the unrealized gain or loss calculated based on the difference between the specified exchange rate and the closing exchange rate at June 30, 2018.

### Counterparty Credit Risk

The following table illustrates the counterparty credit ratings of SDCERS' non-exchange traded investment derivative instruments outstanding and subject to loss at June 30, 2018:

Counterparty Name	Fair Value	S&P Rating
Bank of America N.A.	\$ 402	A+
BNP Paribas SA	34	A
Citibank N.A.	256	A+
Goldman Sachs International	156	BBB+
HSBC Bank USA	5	AA-
JP Morgan Chase Bank N.A.	86	A+
Morgan Stanley Bank N.A.	133	A+
Morgan Stanley CME	267	BBB+
Morgan Stanley ICE	159	BBB+
Morgan Stanley LCH	1,719	BBB+
Royal Bank of Canada	16	AA-
Societe Generale	143	A
Standard Chartered Bank	23	A
Standard Chartered Bank, London	252	A
Toronto Dominion Bank	9	AA-
UBS AG	52	A+
Total	<u>\$ 3,712</u>	

The aggregate fair value of investment derivative instruments in an asset position subject to counterparty credit risk at June 30, 2018 was \$3,712. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. At June 30, 2018, SDCERS did not have any significant exposure to counterparty credit risk with any single party. SDCERS does not have any specific policies relating to the posting of collateral or master netting agreements.

### Custodial Credit Risk

At June 30, 2018, all of SDCERS' investments in derivative instruments were held in SDCERS' name and were not exposed to custodial credit risk.

### Interest Rate Risk

At June 30, 2018, SDCERS was exposed to interest rate risk on its investments in interest rate swaps, options, and credit default swaps. The table below illustrates the maturity periods of these derivative instruments.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Credit Default Swaps	\$ 192	\$ —	\$ 192	\$ —	\$ —
Fixed Income Options	(90)	(28)	(62)	—	—
Interest Rate Swaps	1,786	—	257	300	1,229
Total	<u>\$ 1,888</u>	<u>\$ (28)</u>	<u>\$ 387</u>	<u>\$ 300</u>	<u>\$ 1,229</u>

*Derivative Instruments Highly Sensitive to Interest Rate Changes*

Credit default swaps, fixed income futures, options and interest rate swaps are highly sensitive to changes in interest rates. The table below reflects the fair value and notional amount of these derivative instruments as of June 30, 2018.

Investment Type	Fair Value	Notional
Credit Default Swaps	\$ 192	\$ 11,934
Fixed Income Futures	—	196,593
Fixed Income Options	(90)	(45,000)
Interest Rate Swaps	1,786	180,654
Total	<u>\$ 1,888</u>	<u>\$ 344,181</u>

*Foreign Currency Risk*

At June 30, 2018, SDCERS was exposed to foreign currency risk on its investments in options, currency forward contracts and interest rate swaps denominated in foreign currencies.

Currency Name	Options/ Rights/ Warrants	Foreign Currency Forwards			Total
		Net Receivables	Net Payables	Swaps	
Brazilian Real	\$ —	\$ (42)	\$ 421	\$ —	\$ 379
Canadian Dollar	—	(26)	68	43	85
Danish Krone	—	1	324	—	325
Euro Currency	139	(3)	54	789	979
Pound Sterling	—	(7)	24	127	144
Japanese Yen	—	(4)	320	(152)	164
Swedish Krona	—	(187)	210	—	23
Subtotal	139	(268)	1,421	807	2,099
Investments Denominated in USD	(96)	—	—	1,171	1,075
Total	<u>\$ 43</u>	<u>\$ (268)</u>	<u>\$ 1,421</u>	<u>\$ 1,978</u>	<u>\$ 3,174</u>

In addition to the investments listed in the above table, SDCERS has investments in foreign futures contracts with a total notional value of (\$9,900) and in foreign index futures with a total notional value of \$600. As indicated previously, futures variation margin amounts are settled each trading day and recognized as realized gains/losses as they are incurred. As a result, the foreign futures contracts have no fair value at June 30, 2018.

*Contingent Features*

At June 30, 2018, SDCERS did not hold any positions in derivatives containing contingent features.

s. Private Equity and Infrastructure

Private Equity assets are generally defined as direct investments in projects or companies that are privately negotiated and typically do not trade in a capital market. The risk is that these instruments are usually equity interests, generally illiquid and long-term in nature.



Infrastructure is a subset of Private Equity, defined as permanent essential assets society requires to facilitate the orderly operation of the economy, such as roads, water supply, sewers, power and telecommunications. The risk is that these investments are usually equity interests that are generally illiquid and long-term in nature.

SDCERS' target allocation to private equity and infrastructure is 13%, with a portfolio composition focused on value and current income producing strategies. Unfunded capital commitments as of June 30, 2018 totaled \$796,700 and private equity and infrastructure investments totaled \$1,144,000.

t. Real Estate

SDCERS' long-term target allocation to real estate is 11%. In July 2017, the target allocation to real estate was increased to 13% over the next four to five years. The Board has established that the composition of the real estate portfolio is 100% to private real estate investments. The portfolio is diversified with a target of 70% in core real estate and 30% in value-add and opportunistic real estate. No more than 40% of SDCERS' real estate portfolio is allocated to non-U.S. real estate investment opportunities.

Certain real estate investments are leveraged. In those cases, partnerships have been established to purchase properties through a combination of equity contributions from SDCERS, other investors and through the utilization of debt. SDCERS engages real estate advisors and operating partners who are responsible for managing a portfolio's daily activities, performance and reporting. As of June 30, 2018, real estate investments totaled \$837,900 and unfunded capital commitments totaled \$301,100. Pursuant to a policy, SDCERS has established a maximum leverage limit of 50% at the portfolio level. As of June 30, 2018, SDCERS' real estate portfolio had leverage of 30.9%. SDCERS' share of outstanding debt in the real estate portfolio is \$47,400, excluding obligations of limited partnership interests in commingled funds. This balance of debt is comprised of all non-recourse loans that currently bear interest at rates ranging from 3.11% to 4.40% and maturity dates that range from February 2019 through June 2023.

The following table illustrates mortgage loans that SDCERS has outstanding as of June 30, 2018:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 9,511	\$ 1,440	\$ 10,951
2020	6,851	1,189	8,040
2021	—	980	980
2022	—	980	980
2023	31,000	979	31,979
Total	<u>\$ 47,362</u>	<u>\$ 5,568</u>	<u>\$ 52,930</u>

u. Securities Lending

SDCERS has entered into an agreement with State Street, its custodial bank, to lend domestic and international equity and fixed income securities to broker-dealers and banks in exchange for pledged collateral that will be returned for the same securities plus a fee in the future. All securities loans can be terminated on demand by either the lender or the borrower.

State Street manages SDCERS' securities lending program and receives cash and/or securities as collateral. Borrowers are required to deliver collateral for each loan equal to at least 102% for domestic loans and 105% for international loans. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default. During fiscal year 2018, SDCERS had no credit risk exposure to borrowers because the amounts provided to State Street on behalf of SDCERS, in the

form of collateral plus accrued interest, exceeded the amounts broker-dealers and banks owed to State Street on behalf of SDCERS for securities borrowed. State Street has indemnified SDCERS by agreeing to purchase replacement securities or return cash collateral if a borrower fails to return or pay distributions on a loaned security. SDCERS incurred no losses during the fiscal year resulting from any reported default of the borrowers or State Street. Non-cash collateral (securities and letters of credit) are not reported in SDCERS' financial statements.

When lending its securities on a fully collateralized basis, SDCERS may encounter various risks related to securities lending agreements. These risks include operational risk, borrower or counterparty default risk, and collateral reinvestment risk. State Street is required to maintain its securities lending program in compliance with applicable laws of the United States and all countries in which lending activities take place, as well as all rules, regulations, and exemptions from time to time promulgated and issued under the authority of those laws.

As of June 30, 2018, securities on loan collateralized by cash had a fair value of \$167,800 and SDCERS received cash collateral of \$171,300, which was reported as securities lending obligations in the accompanying Statement of Fiduciary Net Position. As of June 30, 2018, securities on loan collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of \$140,500 and a collateral value of \$151,000, which were not reported as assets or liabilities in the accompanying Statement of Fiduciary Net Position. The total collateral pledged to SDCERS at June 30, 2018 for its securities lending activities was \$322,300.

SDCERS and the borrowers maintain the right to terminate securities lending transactions upon notice. The cash collateral received for lent securities was invested by State Street, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment fund, or collateral pool. State Street maintains two collateral pools: a liquidity pool and a duration pool. As of June 30, 2018, these collateral pools were not rated by the NRSROs.

As of June 30, 2018, SDCERS had \$170,500 invested in the Quality D liquidity collateral pool, which had an average duration of 27.2 days and an average weighted final maturity of 113.7 days. SDCERS had \$800 invested in the Quality D duration pool, which had an average duration of 19.6 days and an average weighted final maturity of 1,666.4 days. Duration is the weighted time average until cash flows are received in the collateral pool and is measured in days. Alternatively, the weighted average final maturity measures when all final maturities in the portfolio will occur. The duration of the investments made with cash collateral does not generally match the duration of the loans. This is because the loans are terminable at any time by SDCERS or the borrower.

#### **Discretely Presented Component Unit - Disclosures for Policy and Specific Risks**

*Narratives and tables presented in the following section are taken directly from the audited comprehensive annual financial report of the San Diego Housing Commission (SDHC) as of June 30, 2018 (certain terms have been modified to conform to the City's CAFR presentation).*

v. San Diego Housing Commission

Cash, cash equivalents, and investments at June 30, 2018 consisted of the following:

	SDHC	Component Units <sup>1</sup>	Total
Deposits and Petty Cash	\$ 31,992	\$ 10,310	\$ 42,302
U.S. Agency Bonds	73,926	—	73,926
Negotiable Certificates of Deposit	4,408	—	4,408
San Diego County Investment Pool	20,999	—	20,999
State Local Agency Investment Fund	11,179	—	11,179
Other	25	—	25
Total cash and investments	<u>142,529</u>	<u>10,310</u>	<u>152,839</u>
Restricted cash and cash equivalents	<u>3,824</u>	<u>3,651</u>	<u>7,475</u>
Total	<u>\$ 146,353</u>	<u>\$ 13,961</u>	<u>\$ 160,314</u>

<sup>1</sup> Disclosures for San Diego Housing Commission's Discretely Presented Component Units are not included in the narratives following this table.

*Deposits*

The carrying amount of the SDHC's cash deposits and petty cash was \$31,992 at June 30, 2018. The bank balances were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250. For amounts over \$250, bank balances were collateralized with securities held by the pledging financial institutions in SDHC's name. The California Government Code requires California financial institutions to secure cash deposits of public institutions not covered by federal deposit insurance by pledging securities as collateral. California Government Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. As a result, the collateral for cash deposits is considered to be held in SDHC's name.

The fair value of pledged securities must equal at least 110% of SDHC's cash deposits. California law also allows financial institutions to secure SDHC's deposits by pledging first trust deed mortgage notes having a value of 150% of SDHC's total cash deposits.

*Investment Policy*

In accordance with state statutes and Housing and Urban Development (HUD) regulations, SDHC has authorized its Chief Financial Officer or designee to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in the SDHC Investment Policy.

SDHC utilizes the services of an experienced financial advisor to aid in making investment decisions. The advisor provides guidance on creating a diversified portfolio and a secure investment mix. The advisor's ongoing role is to provide staff with sound investment opportunities that will maximize liquidity and yield without sacrificing principal value and safety of the investment securities.

Investments in the San Diego County Investment Pool (SDCIP) and California State Local Agency Investment Fund (LAIF) represent SDHC's equity in pooled investments. Other investments such as certificates of deposit, bonds, government agency securities and demand deposit accounts are safe kept with commercial banking institutions.

### Investments

As of June 30, 2018, SDHC had investments in agency bonds, negotiable certificates of deposit, SDCIP and LAIF. The following paragraphs provide further detail for each investment.

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a hierarchy for ranking the quality and reliability of information used to determine fair values of assets and liabilities. SDHC's management has determined, through implementation of GASB Statement No. 72, those investments in SDCIP and LAIF are reported based upon the application of a fair value factor to each one dollar share invested and is not included in the fair value hierarchy. The following table summarizes the valuation of SDHC's fair value measurements in accordance with authoritative guidance at June 30, 2018:

Investment Type	Level 2 Fair Value
U.S. Agency Bonds	\$ 73,926
Negotiable Certificates of Deposit	1,468
Total Investments	\$ 75,394

Investments in U.S. Agency bonds and negotiable certificates of deposit are classified as Level 2 as there are no quoted market prices published. These investments are traded on a secondary market and thus a fair value is able to be determined using this secondary market value.

SDHC's investments under U.S. Government Agency bonds are Mortgage Backed Security (MBS) bonds and debentures traded on an active secondary market. MBS Bonds are a security or debt obligation that represents a claim on the monthly cash flows from mortgage loans. They represent investments in securities that are backed by pools of high quality consumer or commercial mortgages guaranteed by a government agency or Government Sponsored Enterprises (GSE). Government Agency Debentures are also bonds traded on an active secondary market and represent a security or debt obligation of the issuer. While Standard & Poor's and Moody's do not specifically rate MBS, they carry an implied rating based on the high quality collateral that backs the bonds and the AA+ by Standard & Poor's of the GSE (Fannie Mae/Freddie Mac) that issues/guarantees them. At June 30, 2018, SDHC had \$73,926 invested in Agency MBS bonds.

SDHC had a total of \$4,408 in negotiable certificates of deposit in its investment portfolio. Each certificate of deposit is issued through a separate legal entity and purchased in an amount under the FDIC insured limit of \$250. As of June 30, 2018, \$2,940 of negotiable certificates of deposit are valued at amortized cost.

SDHC voluntarily participates in the SDCIP. SDCIP is a Standard & Poor's AAA rated fund managed by the San Diego County Treasurer-Tax Collector. The fair value of SDCIP's investment portfolio at June 30, 2018 was \$8,950,424. The investment portfolio had a weighted average yield to maturity of 1.94%, weighted average days to maturity of 345 days and an effective duration of 0.83 years. As of June 30, 2018, SDHC had \$20,999 invested in SDCIP.

In addition to SDCIP, SDHC participates in the State's LAIF. LAIF is part of the State of California Pooled Money Investment Account (PMIA) and is protected by statute ensuring invested funds remain SDHC's assets. PMIA is not registered with the SEC but is required to invest in accordance with California Government Code. As of June 30, 2018, the average maturity of PMIA investments was 193 days and the balance of the investment portfolio of PMIA was approximately \$89,000,000. SDHC had \$11,179 invested with LAIF as of June 30, 2018.

*Investment Risk Factors*

SDHC's investment policy allows the agency to invest surplus funds in accordance with the provisions of HUD Notice PIH 96 - 33 and California Government Code Sections 5922 and 53601. The investment policy's foremost objective is the safety of principal, which is achieved by mitigating credit risk and interest rate risk. These risks, along with custodial risk, concentration of credit risk and market risk, all affect the value of investments to a varying degree. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risk and changes in interest rates.

*Market Risk*

Market risk is the risk that the value of an investment will change due to changes in the financial market. Changes in market conditions can increase Interest Rate Risk, Liquidity Risk and Reinvestment Risk.

- *Interest Rate Risk* is the risk associated with declines or rises in interest rates, which cause an investment in a fixed-income security to increase or decrease in value. The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. SDHC does not have a formal policy related to interest rate risk.
- *Liquidity Risk* is the risk of being unable to liquidate an investment prior to maturity. Related to liquidity risk is the concept of marketability, or the ability to sell an instrument on short notice without incurring a meaningful loss in price.
- *Reinvestment Risk* is the risk that the proceeds from a fixed income security cannot be reinvested at less than the same rate of return currently generated by that holding. This risk is common with securities that are callable.

In accordance with its investment policy, SDHC manages market risk by matching portfolio maturities to projected liabilities and monitoring the weighted average maturity of its portfolio. This is done by maintaining a portion of the portfolio in readily available funds and investing in securities with limited call features and an active secondary market. These measures ensure that appropriate liquidity is maintained in order to meet ongoing operations, maximize return and limit exposure to changing market conditions.

SDHC's exposure to interest rate risk as of June 30, 2018 is shown in the following table:

	Maturities as of June 30, 2018			Total Fair Value
	Less Than 3 Months	4-12 Months	1-5 Years	
Cash and Cash Equivalents: <sup>1</sup>				
Deposits	\$ 31,982	—	—	\$ 31,982
Petty Cash	10	—	—	10
Restricted Cash and Cash Equivalents	3,824	—	—	3,824
Total Cash and Cash Equivalents	35,816	—	—	35,816
Short-Term Investments:				
U.S. Agency Bonds	888	4,670	—	5,558
Negotiable Certificates of Deposit	979	489	—	1,468
Other	25	—	—	25
San Diego County Investment Pool	—	20,999	—	20,999
State Local Agency Investment Fund	—	11,179	—	11,179
Total Short-Term Investments	1,892	37,337	—	39,229
Long-Term Investments:				
U.S. Agency Bonds	—	—	68,368	68,368
Negotiable Certificates of Deposit	—	—	2,940	2,940
Total Long-Term Investments	—	—	71,308	71,308
Total Cash, Cash Equivalents, and Investments	\$ 37,708	\$ 37,337	\$ 71,308	\$ 146,353

<sup>1</sup> Cash and Cash Equivalents do not have maturities.

### *Credit Risk*

Fixed income securities are subject to credit risk, which is the risk that an issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Certain fixed income securities, including obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government are considered to have minimal credit risk. SDHC minimizes credit risk by limiting investments to those listed in the investment policy. In addition, SDHC pre-qualifies the financial institutions, broker/dealers, intermediaries, and advisors with which SDHC will do business in accordance with the investment policy. SDHC diversifies the investment portfolio to minimize potential losses from any one type of security or issuer.

### *Concentration of Credit Risk*

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing SDHC to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Investments issued or guaranteed by the U.S. government and investments in external investment pools such as LAIF and SDCIP are not considered subject to concentration of credit risk.

### *Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of the failure of the custodian, the investments may not be returned. All bonds are purchased through SDHC's primary financial institution's clearing account in SDHC's name where all securities are held in safekeeping.

The exposure of SDHC's debt securities to credit risk as of June 30, 2018 is as follows:

	Standard & Poor's Credit Rating		Total Fair Value
	AAA	Rating Not Provided	
<b>Short-Term Investments</b>			
U.S. Agency Bonds <sup>1</sup>	\$ —	\$ 5,558	\$ 5,558
Negotiable Certificates of Deposit	—	1,468	1,468
San Diego County Investment Pool	20,999	—	20,999
State Local Agency Investment Fund	—	11,179	11,179
Other	25	—	25
Total Short-Term Investments	<u>21,024</u>	<u>18,205</u>	<u>39,229</u>
<b>Long-Term Investments</b>			
U.S. Agency Bonds <sup>1</sup>	—	68,368	68,368
Negotiable Certificates of Deposit	—	2,940	2,940
Total Long-Term Investments	<u>—</u>	<u>71,308</u>	<u>71,308</u>
Total Investments	<u>\$ 21,024</u>	<u>\$ 89,513</u>	<u>\$ 110,537</u>

<sup>1</sup> As of June 30, 2018, SDHC exceeded the 5% limit of total investments for issuers of various U.S. Agency Bonds.

**4. CAPITAL ASSETS (Dollars in Thousands)**

Capital asset activities for the year ended June 30, 2018 are as follows:

	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases	Transfers	
<b>GOVERNMENTAL ACTIVITIES</b>					
Non-Depreciable Capital Assets:					
Land and Rights of Way	\$ 1,883,487	\$ 5,018	\$ (1,363)	\$ 1,815	\$ 1,888,957
Easements (Intangible)	5,228	718	(50)	(212)	5,684
Artwork/Historical Treasures	—	7	—	5,045	5,052
Construction in Progress	462,111	193,071	(1,622)	(203,024)	450,536
Total Non-Depreciable Capital Assets	2,350,826	198,814	(3,035)	(196,376)	2,350,229
Depreciable Capital Assets:					
Structures and Improvements	1,473,733	23,854	(15,945)	20,151	1,501,793
Equipment	431,294	37,654	(21,940)	18,470	465,478
Equipment (Intangible)	50,549	5,075	(151)	5,571	61,044
Infrastructure	3,903,618	28,145	(9,009)	152,135	4,074,889
Total Depreciable Capital Assets	5,859,194	94,728	(47,045)	196,327	6,103,204
Less Accumulated Depreciation:					
Structures and Improvements	(607,202)	(39,703)	14,985	105	(631,815)
Equipment	(264,598)	(30,156)	21,158	(2)	(273,598)
Equipment (Intangible)	(35,733)	(1,109)	75	—	(36,767)
Infrastructure	(2,348,093)	(92,223)	6,463	(93)	(2,433,946)
Total Accumulated Depreciation	(3,255,626)	(163,191)	42,681	10	(3,376,126)
Total Depreciable Capital Assets - Net of Depreciation	2,603,568	(68,463)	(4,364)	196,337	2,727,078
Governmental Activities Capital Assets, Net	\$ 4,954,394	\$ 130,351	\$ (7,399)	\$ (39)	\$ 5,077,307
<b>BUSINESS-TYPE ACTIVITIES</b>					
Non-Depreciable Capital Assets:					
Land and Rights of Way	\$ 97,611	\$ 8,864	\$ (3)	\$ 260	\$ 106,732
Easements (Intangible)	2,520	337	(205)	(495)	2,157
Artwork/Historical Treasures	—	—	—	1,875	1,875
Construction in Progress	405,589	277,701	(10,749)	(105,532)	567,009
Total Non-Depreciable Capital Assets	505,720	286,902	(10,957)	(103,892)	677,773
Depreciable Capital Assets:					
Structures and Improvements	2,047,867	2,888	(16,799)	16,503	2,050,459
Equipment	454,707	9,800	(12,993)	12,476	463,990
Equipment (Intangible)	22,987	11,522	—	16,976	51,485
Distribution and Collection Systems and Other Infrastructure	5,206,030	59,770	(23,492)	57,986	5,300,294
Total Depreciable Capital Assets	7,731,591	83,980	(53,284)	103,941	7,866,228
Less Accumulated Depreciation:					
Structures and Improvements	(622,516)	(39,494)	11,042	(187)	(651,155)
Equipment	(325,908)	(13,940)	12,048	823	(326,977)
Equipment (Intangible)	(12,318)	(2,534)	—	(577)	(15,429)
Distribution and Collection Systems and Other Infrastructure	(1,298,699)	(84,158)	9,042	(69)	(1,373,884)
Total Accumulated Depreciation	(2,259,441)	(140,126)	32,132	(10)	(2,367,445)
Total Depreciable Capital Assets - Net of Depreciation	5,472,150	(56,146)	(21,152)	103,931	5,498,783
Business-Type Activities Capital Assets, Net	\$ 5,977,870	\$ 230,756	\$ (32,109)	\$ 39	\$ 6,176,556



Depreciation expense was charged to functions/programs of the primary government as follows:

**GOVERNMENTAL ACTIVITIES**

General Government and Support	\$ 8,570
Public Safety - Police	11,412
Public Safety - Fire and Life Safety and Homeland Security	8,570
Parks, Recreation, Culture and Leisure	45,030
Transportation	80,361
Sanitation and Health	9,127
Neighborhood Services	121
Total Depreciation Expense	<u>\$ 163,191</u>

**BUSINESS-TYPE ACTIVITIES**

Sewer Utility	\$ 75,302
Water Utility	57,007
Airports	2,211
Development Services	30
Environmental Services	1,303
Golf Course	1,833
Recycling	125
San Diego Convention Center Corporation	2,315
Total Depreciation Expense	<u>\$ 140,126</u>

Capital asset activities for the City's Successor Agency for the fiscal year ended June 30, 2018 are as follows:

	<b>Successor Agency Private-Purpose Trust Fund</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Non-Depreciable Capital Assets:				
Land and Rights of Way	\$ 13,279	\$ —	\$ —	\$ 13,279
Construction in Progress	—	159	—	159
Total Non-Depreciable Capital Assets	<u>13,279</u>	<u>159</u>	<u>—</u>	<u>13,438</u>
Depreciable Capital Assets:				
Structures and Improvements	63,899	382	—	64,281
Equipment	819	—	—	819
Total Depreciable Capital Assets	<u>64,718</u>	<u>382</u>	<u>—</u>	<u>65,100</u>
Less Accumulated Depreciation for:				
Structures and Improvements	(16,486)	(1,804)	—	(18,290)
Equipment	(819)	—	—	(819)
Total Accumulated Depreciation	<u>(17,305)</u>	<u>(1,804)</u>	<u>—</u>	<u>(19,109)</u>
Total Depreciable Capital Assets - Net of Depreciation	<u>47,413</u>	<u>(1,422)</u>	<u>—</u>	<u>45,991</u>
Capital Assets, Net	<u>\$ 60,692</u>	<u>\$ (1,263)</u>	<u>\$ —</u>	<u>\$ 59,429</u>

**Discretely Presented Component Unit - San Diego Housing Commission**

Capital asset activities for SDHC for the fiscal year ended June 30, 2018 are as follows:

<b>Discretely Presented Component Unit - San Diego Housing Commission</b>				
	<b>Beginning</b>			<b>Ending</b>
	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 69,341	\$ 1,999	\$ (1,259)	\$ 70,081
Construction in Progress	2,772	13,966	(15,860)	878
Total Non-Depreciable Capital Assets	<u>72,113</u>	<u>15,965</u>	<u>(17,119)</u>	<u>70,959</u>
<b>Depreciable Capital Assets:</b>				
Structures and Improvements	165,292	13,523	6,628	185,443
Equipment	4,821	462	(536)	4,747
Total Depreciable Capital Assets	<u>170,113</u>	<u>13,985</u>	<u>6,092</u>	<u>190,190</u>
<b>Less Accumulated Depreciation for:</b>				
Structures and Improvements	(38,737)	(6,889)	191	(45,435)
Equipment	(4,119)	(326)	536	(3,909)
Total Accumulated Depreciation	<u>(42,856)</u>	<u>(7,215)</u>	<u>727</u>	<u>(49,344)</u>
Total Depreciable Capital Assets - Net of Depreciation	<u>127,257</u>	<u>6,770</u>	<u>6,819</u>	<u>140,846</u>
Capital Assets, Net	<u>\$ 199,370</u>	<u>\$ 22,735</u>	<u>\$ (10,300)</u>	<u>\$ 211,805</u>

Capital assets for the discretely presented component units of SDHC as of December 31, 2017 are as follows:

<b>Non-Depreciable Capital Assets:</b>	
Land	\$ 2,914
Construction in Progress	5,628
Total Non-Depreciable Capital Assets	<u>8,542</u>
<b>Depreciable Capital Assets:</b>	
Structures and Improvements	69,631
Equipment	1,743
Total Depreciable Capital Assets	<u>71,374</u>
Less Accumulated Depreciation	(10,312)
Total Depreciable Capital Assets - Net of Depreciation	<u>61,062</u>
Capital Assets, Net	<u>\$ 69,604</u>

## 5. GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES (Dollars in Thousands)

### a. Long-Term Liabilities

The composition of the governmental long-term liabilities as of June 30, 2018 is reflected in the table below:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2018
Compensated Absences				\$ 65,115
Liability Claims				376,593
Reimbursement Agreement Obligations				6,749
Capital Lease Obligations:				
Equipment Vehicle Financing Program (EVFP)	1.26- 2.69%	2029		71,135
101 Ash, LLC	5.55	2037	\$ 77,440	74,130
CCP 1200, LLC	6.47	2035	44,000	42,385
Other Capital Leases	0.0-2.29	2032	11,600	9,999
Total Capital Lease Obligations				197,649
Qualified Energy Conservation Bonds (QECCB) Lease Obligation	6.16 <sup>1</sup>	2026	13,142	7,578
Loans Payable - California Energy Resources Conservation and Development Commission:				
Issued January 2007	3.95	2019	2,154	208
Issued December 2011	3.0	2024	2,987	1,741
Issued December 2012	1.0	2029	1,986	1,562
Total Loans Payable				3,511
Section 108 Loans Payable		2025	5,910	2,872
Lease Revenue Bonds:				
CCEFA Refunding Bonds, Series 2012A	2.0 - 5.0 <sup>2</sup>	2028	140,440	98,245
PFFA CIP Bonds, Series 2012A	2.0 - 5.0 <sup>2</sup>	2042	72,000	64,985
PFFA Fire and Life Safety Refunding Bonds, Series 2012B	2.0 - 5.0 <sup>2</sup>	2032	18,745	14,790
PFFA CIP/Old Town Light Rail Extension Refunding Bonds, Series 2013A	3.0 - 5.0 <sup>2</sup>	2043	43,245	36,165
PFFA Balboa Park/Mission Bay Park Refunding Bonds, Series 2013B	3.0 - 5.0 <sup>2</sup>	2024	6,285	3,820
PFFA CIP Bonds, Series 2015A	5.0	2045	62,260	62,260
PFFA CIP Bonds, Series 2015B	5.0	2033	45,030	39,960
PFFA Ballpark Refunding Bonds, Series 2016	2.0 - 5.0 <sup>2</sup>	2032	103,255	93,650
PFFA Refunding Bonds, Series 2018A	2.57 - 4.23 <sup>2</sup>	2039	129,320	129,320
Total Lease Revenue Bonds				543,195
Tobacco Settlement Bonds:				
TSRFC Bonds, Series 2018A	2.13-4.02 <sup>2</sup>	2028	70,510	64,365
TSRFC Bonds, Series 2018B	2.75	2027 <sup>3</sup>	2,000	—
TSRFC Bonds, Series 2018C	4.0	2032 <sup>4</sup>	25,345	24,830
Total Tobacco Settlement Bonds				89,195
Total Bonds Payable				632,390
Net Other Postemployment Benefits Liability				427,481
Net Pension Liability (Retirement)				2,049,676
Total Pension Liability (POB)				9,606
Total Governmental Activities Long-Term Liabilities				\$ 3,779,220

<sup>1</sup> Nominal interest rate of 6.16% with a net effective rate of 2.66% inclusive of QECCB federal subsidy and 6.6% subsidy sequestration calculated by the Federal Office of Management and Budget for fiscal year 2018.

<sup>2</sup> Interest rates are fixed and reflect the range of coupon rates for various maturities from the date of issuance to maturity.

<sup>3</sup> Issued and redeemed in fiscal year 2018.

<sup>4</sup> Final maturity date is June 1, 2032. The date listed reflects final turbo redemption payment date projected at the time of issuance.

Liability claims are primarily liquidated by the General Fund, Long-Term Disability Internal Service Fund, and Enterprise Funds. Compensated absences are generally liquidated by the General Fund, Enterprise Funds, and certain Internal Service Funds. Pension and other postemployment healthcare liabilities are paid out of operating funds based on a percentage of covered payroll.

Reimbursement Agreements have contractual provisions whereby a developer either constructs or provides funding towards a public improvement project, which is included as part of an approved City Public Facilities Financing Plan. Typical improvements constructed under this program are transportation projects, parks, fire stations and libraries. A developer is obligated to provide the infrastructure and is later reimbursed with cash or provided program credits against future Facilities Benefit Assessment (FBA), Development Impact Fees (DIF), or Regional Transportation Congestion Improvement Program (RTCIP) payments up to the amount of the eligible infrastructure costs as stated in an approved reimbursement agreement. Reimbursement agreements do not have annual repayment schedules and instead only allow for FBA/DIF/RTCIP cash reimbursement based on the availability of funds.

Taxable QECBs were issued pursuant to the American Recovery and Reinvestment Act of 2009. QECB financing is eligible for the direct interest subsidy payment from the U.S. Department of the Treasury within Section 54(D)a of the Internal Revenue Code of 1986, as amended. The QECBs were issued to fund the Broad Spectrum Street Lighting Conversion Program and are paid from annual appropriations of any source of legally available funds.

Loans Payable represent obligations owed for energy conservation loans received for qualifying energy efficiency retrofits and improvements for certain City facilities. Repayments are secured from the departments that benefit from the facility improvements.

Section 108 loans are the loan guarantee provisions of the Community Development Block Grant (CDBG) program. Section 108 loans provide the community with a source of financing for economic development, housing rehabilitation, public facilities, and capital improvement and infrastructure projects. The loans are arranged through the U.S. Department of Housing and Urban Development (HUD) and a fixed repayment schedule is provided that allocates a portion of the total obligation issued to each borrower, including the City, as well as other municipalities. Although no interest rate is stated on the repayment schedule, the City pays a portion of the interest as allocated by HUD.

Lease revenue bonds are lease obligations secured by a lease-back arrangement with a public entity. The general operating revenues are pledged to make the lease payments, which are in turn used to pay debt service on the bonds. Lease revenue bonds provide long-term financing through a lease agreement, installment sales agreement, or loan agreement that does not constitute indebtedness under the state constitutional debt limitation and is not subject to other statutory requirements applicable to bonds.

Tobacco Settlement Bonds are limited obligations of the Tobacco Settlement Revenue Funding Corporation (TSRFC), which is a separate legal entity established by the City. TSRFC purchased from the City the rights to receive future tobacco settlement revenues (TSRs) due to the City. The Tobacco Settlement Bonds are payable from and secured solely by pledged TSRs.

b. Amortization Requirements

The annual requirements to amortize such long-term debt outstanding as of June 30, 2018, including interest payments to maturity, are as follows:

Year Ending June 30	Equipment Vehicle Financing Program (EVFP)		101 Ash, LLC		CCP 1200, LLC		Other Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 13,745	\$ 1,164	\$ 2,365	\$ 4,052	\$ 776	\$ 2,720	\$ 912	\$ 158
2020	12,958	1,182	2,499	3,916	918	2,666	1,196	296
2021	10,646	938	2,642	3,775	1,071	2,602	566	276
2022	9,059	728	2,792	3,624	1,237	2,528	587	256
2023	8,206	537	2,951	3,466	1,417	2,443	608	235
2024-2028	15,635	922	17,471	14,613	10,315	10,478	3,382	829
2029-2033	886	12	23,040	9,044	17,450	6,076	2,748	199
2034-2037	—	—	20,370	2,088	9,201	611	—	—
Total	\$ 71,135	\$ 5,483	\$ 74,130	\$ 44,578	\$ 42,385	\$ 30,124	\$ 9,999	\$ 2,249

Year Ending June 30	Qualified Energy Conservation Bonds (QECB) Lease Obligation		Loans Payable		Section 108 Loans Payable		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 871	\$ 467	\$ 651	\$ 71	\$ 345	\$ 159	\$ 26,235	\$ 23,623
2020	892	413	453	55	364	139	26,450	23,407
2021	913	358	464	44	385	117	27,850	22,261
2022	935	302	475	33	406	94	29,090	21,014
2023	957	244	486	22	430	69	29,710	19,707
2024-2028	3,010	375	959	26	942	57	157,300	77,496
2029-2033	—	—	23	—	—	—	98,270	46,157
2034-2038	—	—	—	—	—	—	74,790	26,822
2039-2043	—	—	—	—	—	—	60,370	9,940
2044-2048	—	—	—	—	—	—	13,130	665
Total	\$ 7,578	\$ 2,159	\$ 3,511	\$ 251	\$ 2,872	\$ 635	\$ 543,195	\$ 271,092

Year Ending June 30	Tobacco Settlement Bonds	
	Principal <sup>1</sup>	Interest
2019	\$ 6,045	\$ 3,209
2020	6,070	3,052
2021	6,175	2,882
2022	6,290	2,692
2023	6,420	2,489
2024-2028	33,365	8,917
2029-2032	24,830	3,973
Total	\$ 89,195	\$ 27,214

<sup>1</sup> The Tobacco Settlement Bonds principal debt service requirements are based upon final turbo redemption payments projected at time of issuance.

c. Change in Long-Term Liabilities

The following is a summary of changes in governmental activities long-term liabilities for the year ended June 30, 2018. The effect of bond issuance premiums and discounts are reflected as adjustments to the carrying value of long-term liabilities.

	Governmental Activities				
	Beginning Balance, as Restated <sup>1</sup>	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 68,814	\$ 59,062	\$ (62,761)	\$ 65,115	\$ 31,954
Liability Claims	369,705	72,472	(65,584)	376,593	87,659
Reimbursement Agreement Obligations	17,074	16,275	(26,600)	6,749	—
Capital Lease Obligations:					
Equipment Vehicle Financing Program (EVFP)	44,281	37,540	(10,686)	71,135	13,745
101 Ash, LLC	76,367	—	(2,237)	74,130	2,365
CCP 1200, LLC	43,030	—	(645)	42,385	776
Other Capital Leases <sup>2</sup>	1,948	8,700	(649)	9,999	912
Total Capital Lease Obligations	165,626	46,240	(14,217)	197,649	17,798
QEGB Lease Obligation	8,429	—	(851)	7,578	871
Loans Payable	4,144	—	(633)	3,511	651
Section 108 Loans Payable	3,197	—	(325)	2,872	345
Lease Revenue Bonds	570,460	129,320	(156,585)	543,195	26,235
Unamortized Bond Premiums and Discounts	44,820	—	(4,507)	40,313	4,303
Net Lease Revenue Bonds	615,280	129,320	(161,092)	583,508	30,538
Tobacco Settlement Bonds	64,570	97,855	(73,230)	89,195	6,045
Net Other Postemployment Benefits Liability	427,197	28,412	(28,128)	427,481	—
Net Pension Liability (Retirement)	2,156,830	458,506	(565,660)	2,049,676	—
Total Pension Liability (POB)	10,723	927	(2,044)	9,606	—
Total	\$ 3,911,589	\$ 909,069	\$ (1,001,125)	\$ 3,819,533	\$ 175,861

<sup>1</sup> Beginning balance for Net OPEB Liability has been restated due to the implementation of GASB Statement No. 75. See Note 23 for additional information.

<sup>2</sup> Other Capital Leases include GE Government Finance Lease.

Under the Master Lease agreement with Banc of America Public Capital Corp, dated October 9, 2015 and amended April 27, 2016, the City lease-purchased twelve fire engines, three brush rigs, and one Hazmat truck in the amount of \$9,660 to be financed over a seven-year period at 1.96%. Under the Master Lease agreement dated May 18, 2018, the City lease-purchased a fire helicopter in the amount of \$15,636 to be financed over a ten-year period at 2.67%. The remaining additions to EVFP are for various agreements with Banc of America Public Capital Corp for the lease purchase of vehicles, vessels and software, totaling \$12,244, to be financed over 5 to 7 year periods at 2.04% to 2.69%.

On February 10, 2017, the City executed a GE Government Finance, Inc. (GEGF) California Master Lease Agreement for a tax exempt equipment lease-purchase financing of the GE Intelligent Cities Project for energy efficient street lighting and adaptive controls. Proceeds of approximately \$30,274 will be used to reimburse previously incurred eligible project expenses. The lease term is for thirteen years at a fixed interest rate that reflects the ten-year swap rate less 0.68%. On June 27, 2018, the City received \$9,420 for eligible project expenditures. Under a special financing promotion, the City received a credit of \$720 on June 27, 2018, with the remaining \$8,700 payable in semi-annual installments beginning January 1, 2019 through the term of the lease.

On March 13, 2018, TSRFC issued \$70,510 of Tobacco Settlement Bonds, Series 2018A (the Series 2018 Senior Bonds) (federally taxable), \$2,000 Tobacco Settlement Bonds, Series 2018B (the Series 2018B Subordinate Bonds) (federally taxable) and \$25,345 Tobacco Settlement Bonds, Series 2018C (the Series 2018C Subordinate Bonds) to refund on a current basis the outstanding Tobacco Settlement Asset-Backed Bonds, Series 2006 (the Series 2006 Bonds) and to fund certain capital improvements of the City. The Bonds are limited obligations of TSRFC and are payable solely from the pledged TSRs and other collateral pledged under the Indenture. The pledged TSRs are the right, title, and interest of TSRFC in and to 100% of the Tobacco Assets.

On June 21, 2018, PFFA issued \$129,320 of Lease Revenue Refunding Bonds, Series 2018A (Series 2010A Refunding) (federally taxable) to refund the outstanding Lease Revenue Bonds, Series 2010A (Master Refunding Project). The series 2018A Bonds are payable from revenues derived from Base Rental Payments paid by the City for the use and occupancy of the leased property and certain funds established under the indenture.

d. Defeasance and Redemption of Debt

During fiscal year 2018, the Tobacco Settlement Bonds, Series 2018A (the Series 2018 Senior Bonds) (federally taxable) and Tobacco Settlement Bonds, Series 2018B (the Series 2018B Subordinate Bonds) (federally taxable) were issued to refund on a current basis the outstanding Tobacco Settlement Asset-Backed Bonds, Series 2006 (the Series 2006 Bonds). The final maturity date for the Series 2018A Bonds is June 1, 2028. The Series 2018B Bonds were redeemed prior to June 30, 2018. The Series 2006 Bonds were fully redeemed prior to June 30, 2018 and the liability has been removed from the Statement of Net Position. The refunding transaction resulted in a total economic gain of approximately \$1,517 and a difference in cash flows of approximately (\$5,807).

During fiscal year 2018, the Lease Revenue Refunding Bonds Series 2018A (Series 2018A Refunding) were issued to refund the Authority's outstanding Lease Revenue Refunding Bonds, Series 2010A (Master Refunding Project). The final maturity date for the Series 2018A Bonds is October 15, 2038. The refunded bonds are defeased and the corresponding liability has been removed from the Statement of Net Position. As of March 13, 2018 (closing date), the refunding transaction resulted in a projected total economic gain of approximately \$5,699 and a difference in cash flows of approximately \$15,311. The 2010A Refunding Bonds will be fully redeemed on September 1, 2020.

As of June 30, 2018, principal amounts payable from escrow funds established for defeased bonds are as follows:

Defeased Bonds	Amount
Lease Revenue Refunding Bonds Series 2010A	\$ 132,550

e. Long-Term Pledged Liabilities

Governmental long-term pledged liabilities as of June 30, 2018 are comprised of the following:

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Pledged Development Impact Fee (DIF) Revenue:				
Quarry Falls (Civita) Neighborhood Parks Reimbursement Agreement		\$ 3,616	\$ 12,308	\$ 12,308
Pledged Facilities Benefit Assessment (FBA) Revenue:				
Facilities Financing Reimbursement Agreement Obligations		2,391	13,077	13,077
Pledged Regional Transportation Congestion Improvement Program (RTCIP):				
Quarry Falls (Civita) Neighborhood Parks Reimbursement Agreement		742	1,215	1,215
Naval Training Center Civic, Arts and Cultural Center (Section 108)	2025	3,507	503	503
Pledged Tobacco Settlement Revenue:				
TSRFC Asset-Backed Bonds, Series 2006	2023 <sup>1</sup>	—	2,550	—
TSRFC Bonds, Series 2018 A,B,C	2032 <sup>1</sup>	116,409	9,400	9,400
Total Pledged Tobacco Settlement Revenue		116,409	11,950	9,400
Total		\$ 126,665	\$ 39,053	\$ 36,503

<sup>1</sup> During fiscal year 2018, Tobacco Bonds Series 2006 were refunded and Tobacco Bonds Series 2018B were issued and subsequently redeemed.



## 6. BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES (Dollars in Thousands)

### a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2018 are comprised of the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount <sup>3</sup>	Balance Outstanding June 30, 2018
Arbitrage Liability				\$ 1,169
Compensated Absences				13,752
Liability Claims				33,670
Equipment Vehicle Financing Program (EVFP) Capital Lease Obligations	1.67% - 1.84% <sup>1</sup>	2022	\$ 2,590	1,160
Other Capital Lease Obligations	2.6 <sup>1</sup>	2021	5,694	3,464
Contracts Payable	2.6 <sup>1</sup>	2021	3,606	2,194
Notes Payable	—	2023	22	11
Loans Payable:				
San Diego Convention Center Corporation (SDCCC)				
California Infrastructure and Economic Development Bank (I-Bank)	3.59 <sup>1</sup>	2042	25,500	25,500
Sewer Utility - State Water Resources Control Board				
Point Loma Digesters 7 and 8, February 9, 2000	1.80 <sup>2</sup>	2020	10,606	1,240
Point Loma Central Boilers, February 9, 2000	1.80 <sup>2</sup>	2022	6,684	1,536
South Bay Water Reclamation Plant, March 30, 2001	1.80 <sup>2</sup>	2022	33,720	7,731
South Bay Sewers and Pump Station, May 17, 2001	1.80 <sup>2</sup>	2022	7,742	1,777
Point Loma Main Building Expansion, May 17, 2001	1.80 <sup>2</sup>	2021	860	150
South Bay Water Reclamation Plant, June 11, 2001	1.80 <sup>2</sup>	2021	2,525	438
South Bay Sewers and Pump Station, October 3, 2002	1.99 <sup>2</sup>	2020	3,767	488
Point Loma Digesters Project C1 and C2, October 3, 2002	1.80 <sup>2</sup>	2023	8,068	2,293
Environment Monitoring and Technical Svcs, December 14, 2005	1.89 <sup>2</sup>	2024	10,093	3,585
Point Loma 4th Sludge Pump Project, October 15, 2006	1.99 <sup>2</sup>	2024	3,858	1,441
Point Loma Digesters S1 and S2, February 28, 2007	1.89 <sup>2</sup>	2026	11,068	5,143
Point Loma Digesters Grit Processing, February 17, 2012	2.70 <sup>1</sup>	2036	31,514	29,012
Sewer Pipeline Rehab Project MNOP, July 10, 2012	2.20 <sup>1</sup>	2033	18,914	12,629
Metro Biosolids Center Storage Silos, August 6, 2015	1.70 <sup>1</sup>	2035	7,204	6,274
MBC Odor Control Facilities Upgrades, July 15, 2015	1.70 <sup>1</sup>	2035	6,840	6,243
MBC Dewatering Centrifuge Replacement, July 8, 2015	1.70 <sup>1</sup>	2039	7,120	7,120
Sewer Pipeline Rehab Project-Q, June 26, 2013	2.20 <sup>1</sup>	2034	4,792	2,014
Sewer Pipeline Rehab Project-RS, August 22, 2013	2.20 <sup>1</sup>	2034	8,924	6,802
Sewer Pipeline Rehab Project-T, July 12, 2016	1.70 <sup>1</sup>	2036	2,314	2,097
MBC Chemical Systems Improvement Phase II, July 12, 2016	1.70 <sup>1</sup>	2037	5,284	5,003
Total Sewer Utility Loans Payable				103,016
Water Utility - State Water Resources Control Board				
Alvarado Water Treatment Plant, May 30, 2011	2.31% <sup>1</sup>	2032	12,000	8,686
Miramar Water Treatment Plant, September 26, 2011	2.31 <sup>1</sup>	2032	20,000	14,474
Otay Water Treatment Plant, December 22, 2011	2.50 <sup>1</sup>	2032	18,000	13,506
Harbor Drive Pipeline Replacement Project, January 29, 2013	2.09 <sup>1</sup>	2036	10,561	9,734
Lindbergh Field Pipeline Replacement Project, January 29, 2013	2.09 <sup>1</sup>	2036	3,262	3,000
University Avenue Pipeline Replacement Project, June 7, 2016	2.09 <sup>1</sup>	2039	22,793	22,793
69th Street & Mohawk Pump Station Project, June 14, 2018	1.70 <sup>1</sup>	2050	2,564	2,564
Total Water Utility Loans Payable				74,757
Total Loans Payable				203,273

<b>Type of Obligation</b>	<b>Interest Rates</b>	<b>Fiscal Year Maturity Date</b>	<b>Original Amount <sup>3</sup></b>	<b>Balance Outstanding June 30, 2018</b>
Commercial Paper Notes 2017	1.25-1.88 <sup>1</sup>	2019	\$ 168,213	\$ 168,213
Revenue Bonds Payable:				
Senior Sewer Revenue Bonds, Series 2009 A	2.0-5.36 <sup>1</sup>	2019	453,775	9,435
Senior Sewer Revenue Refunding Bonds, Series 2009 B	3.0-5.5 <sup>1</sup>	2019	634,940	51,775
Subordinated Water Revenue Bonds, Refunding Series 2012 A	2.0-5.0 <sup>1</sup>	2033	188,610	125,150
Senior Sewer Revenue Refunding Bonds, Series 2015	2.0-5.0 <sup>1</sup>	2027	313,620	308,435
Senior Sewer Revenue Refunding Bonds, Series 2016 A	4.0-5.0 <sup>1</sup>	2039	403,280	396,605
Subordinated Water Revenue Bonds, Series 2016 A	3.0-5.0 <sup>1</sup>	2046	40,540	39,845
Subordinated Water Revenue Bonds, Refunding Series 2016 B	5.0 <sup>1</sup>	2040	523,485	471,605
Total Revenue Bonds Payable				<u>1,402,850</u>
Estimated Landfill Closure and Postclosure Care				53,003
Net Other Postemployment Benefits Liability				122,963
Net Pension Liability (Pension)				472,381
Total Pension Liability (POB)				<u>927</u>
Total Business-Type Activities Long-Term Liabilities				<u><u>\$ 2,479,030</u></u>

<sup>1</sup> Interest rates are fixed and reflect the range of rates for various maturities from the date of issuance to maturity.

<sup>2</sup> Effective rate.

<sup>3</sup> Original Amount is based on the amount disbursed to date and may include capitalize interest.

b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2018, including interest payments to maturity, are as follows:

Year Ending June 30	Equipment Vehicle Financing Program (EVFP) Capital Lease Obligations		Other Capital Lease Obligations		Contracts Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 376	\$ 18	\$ 1,125	\$ 90	\$ 713	\$ 57	\$ 2	\$ —
2020	382	12	1,154	61	731	39	2	—
2021	389	5	1,185	31	750	20	2	—
2022	13	—	—	—	—	—	2	—
2023	—	—	—	—	—	—	2	—
2024-2028	—	—	—	—	—	—	1	—
Total	<u>\$ 1,160</u>	<u>\$ 35</u>	<u>\$ 3,464</u>	<u>\$ 182</u>	<u>\$ 2,194</u>	<u>\$ 116</u>	<u>\$ 11</u>	<u>\$ —</u>

Year Ending June 30	Commercial Paper Notes		Loans Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ —	\$ —	\$ 11,894	\$ 4,103	\$ 91,045	\$ 67,830
2020	—	—	12,873	3,832	92,430	63,381
2021	—	—	12,263	3,553	96,850	58,981
2022	—	—	12,311	3,301	101,795	54,383
2023	—	—	9,708	3,013	101,345	49,732
2024-2028	—	—	44,419	11,773	407,400	180,484
2029-2033	—	—	42,635	6,379	238,610	97,999
2034-2038	—	—	18,655	2,114	194,620	47,391
2039-2043	—	—	6,038	352	71,475	6,101
2044-2048	—	—	—	—	7,280	558
Unscheduled <sup>1</sup>	168,213	—	32,477	—	—	—
Total	<u>\$ 168,213</u>	<u>\$ —</u>	<u>\$ 203,273</u>	<u>\$ 38,420</u>	<u>\$ 1,402,850</u>	<u>\$ 626,840</u>

<sup>1</sup> Commercial Paper Notes in the amount of \$168,213 do not have fixed annual repayment schedules. Loans payable to the State Water Resources Control Board in the amount of \$32,477 do not have fixed annual repayment schedules until construction of the projects are completed and final billing submitted.

c. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018. The effect of bond premiums and discounts are reflected as adjustments to long-term liabilities.

	Business-Type Activities				
	Beginning Balance, as Restated <sup>1</sup>	Additions	Reductions	Ending Balance	Due Within One Year
Arbitrage Liability	\$ 1,136	\$ 33	\$ —	\$ 1,169	\$ —
Compensated Absences	14,154	13,109	(13,511)	13,752	7,304
Liability Claims	30,831	13,426	(10,587)	33,670	5,657
Capital Lease Obligations:					
Equipment Vehicle Financing Program (EVFP)	1,530	—	(370)	1,160	376
Other Capital Lease Obligations	4,561	—	(1,097)	3,464	1,125
Total Capital Lease Obligations	6,091	—	(1,467)	4,624	1,501
Contracts Payable	2,888	—	(694)	2,194	713
Notes Payable	13	—	(2)	11	2
Loans Payable	191,658	23,357	(11,742)	203,273	11,894
Commercial Paper Notes	—	168,213	—	168,213	—
Revenue Bonds Payable	1,489,565	—	(86,715)	1,402,850	91,045
Unamortized Bond Premiums and Discounts	245,601	—	(17,693)	227,908	14,239
Net Revenue Bonds Payable	1,735,166	—	(104,408)	1,630,758	105,284
Estimated Landfill Closure/Postclosure Care	48,530	4,473	—	53,003	—
Net Other Postemployment Benefits Liability <sup>1</sup>	122,884	7,938	(7,859)	122,963	—
Net Pension Liability (Pension)	493,724	92,245	(113,588)	472,381	—
Total Pension Liability (POB)	1,024	81	(178)	927	—
Totals	\$ 2,648,099	\$ 322,875	\$ (264,036)	\$ 2,706,938	\$ 132,355

<sup>1</sup> Beginning balances for Net OPEB Liability have been restated due to the implementation of GASB Statement No. 75. See Note 23 for additional information.

On October 30, 2017, the City's Water Utility Fund executed State Revolving Fund (SRF) loan agreement with the SWRCB in the amount of \$15,000 for the 69<sup>th</sup> Street and Mohawk Pump Station Project. This project will include the installation of six pumps with 18 million gallons per day (MGD) total capacity, the installation of approximately 7,000 feet of new pipelines, and provide structural improvements to meet seismic code. The obligation is secured by revenues of the Water Utility Fund. The interest rate on the loan is 1.7% and the repayment period is 30 years from completion of construction, which is estimated to be May 1, 2020. As of June 30, 2018, \$2,564 was received by the City's Water Utility Fund for this project. The remaining additions to loans payable of \$20,793 resulted from various State Revolving Loan Fund proceeds received by the Sewer and Water Utility Funds.

d. Defeasance of Debt

As of June 30, 2018, principal amounts payable from escrow funds established for defeased bonds are as follows:

Water Revenue Defeased Bonds 2016 Escrow (June 23, 2016)	Amount	Redemption Date
Water Revenue Bonds, Refunding Series 2009A	\$ 117,260	August 1, 2018
Water Revenue Bonds, Series 2009B	280,645	August 1, 2019
Water Revenue Bonds, Refunding Series 2010A	123,075	August 1, 2020
Total Defeased Bonds Outstanding	\$ 520,980	
<u>Sewer Revenue Defeased Bonds 2015 Escrow (September 24, 2015)</u>		
Senior Sewer Revenue Bonds, Series 2009A	\$ 70,575	May 15, 2019
Senior Sewer Revenue Bonds, Refunding Series 2009B	148,820	May 15, 2019
Senior Sewer Revenue Bonds, Refunding Series 2010A	99,075	May 15, 2020
Total Defeased Bonds Outstanding	\$ 318,470	
<u>Sewer Revenue Defeased Bonds 2016 Escrow (March 30, 2016)</u>		
Senior Sewer Revenue Bonds, Series 2009A	\$ 254,065	May 15, 2019
Senior Sewer Revenue Bonds, Refunding Series 2009B	112,340	May 15, 2019
Senior Sewer Revenue Bonds, Refunding Series 2010A	62,855	May 15, 2020
Total Defeased Bonds Outstanding	\$ 429,260	

e. Long-Term Pledged Liabilities

Business-type activities long-term pledged liabilities as of June 30, 2018 are comprised of the following:

<u>Type of Pledged Revenue</u>	<u>Fiscal Year Maturity Date</u>	<u>Pledged Revenue to Maturity</u>	<u>Debt Principal &amp; Interest Paid</u>	<u>Pledged Revenue Recognized</u>
Pledged Net Sewer Systems Revenue:				
Loans - State Water Resources Control Board				
Point Loma Digesters 7 and 8, February 9, 2000	2020	\$ 1,273	\$ 636	\$ 636
Point Loma Central Boilers, February 9, 2000	2022	1,605	401	401
South Bay Water Reclamation Plant, March 30, 2001	2022	8,099	2,025	2,025
South Bay Sewers and Pump Station, May 17, 2001	2022	1,858	465	465
Point Loma Main Building Expansion, May 17, 2001	2021	154	51	51
South Bay Water Reclamation Plant, June 11, 2001	2021	454	151	151
South Bay Sewers and Pump Station, October 3, 2002	2020	503	251	251
Point Loma Digesters Project C1 and C2, October 3, 2002	2023	2,421	484	484
Environment Monitoring and Technical Svs, December 14, 2005	2024	3,825	637	637
Point Loma 4th Sludge Pump Project, October 15, 2006	2024	1,544	258	258
Point Loma Digesters S1 and S2, February 28, 2007	2026	5,592	699	699
Point Loma Digesters Grit Processing, February 17, 2012	2036	37,014	2,056	2,056
Sewer Pipeline Rehab Project MNOP, July 10, 2012	2033	14,963	997	997
Metro Biosolids Center-Storage Silos, August 6, 2015	2035	7,276	428	428
MBC Odor Control Facilities Upgrades, July 15, 2015	2035	7,241	426	426
MBC Dewatering Centrifuge Replacement, July 8, 2015	2039	7,120	—	—
Sewer Pipeline Rehab Project-Q, June 26, 2013	2034	2,411	151	151
Sewer Pipeline Rehab Project-RS, August 22, 2013	2034	8,143	509	509
Sewer Pipeline Rehab Project-T, July 12, 2016	2036	2,453	136	136
MBC Chemical Systems Improvement Phase II, July 12, 2016	2037	5,896	310	310
Revenue Bonds				
Senior Sewer Revenue Bonds, Series 2009 A	2019	9,836	9,841	9,651
Senior Sewer Revenue Refunding Bonds, Series 2009 B	2019	54,301	54,298	54,093
Senior Sewer Revenue Refunding Bonds, Series 2015	2027	394,912	14,659	14,659
Senior Sewer Revenue Refunding Bonds, Series 2016 A	2039	610,368	19,315	19,315
Total Pledged Net Sewer Systems Revenue		<u>1,189,262</u>	<u>109,184</u>	<u>108,789</u>
Pledged Net Water Systems Revenue:				
Loans - State Water Resources Control Board				
Alvarado Water Treatment Plant, May 30, 2011	2032	10,159	753	753
Miramar Water Treatment Plant, September 26, 2011	2032	16,924	1,254	1,254
Otay Water Treatment Plant, December 22, 2011	2032	16,091	1,150	1,150
Harbor Drive Pipeline Replacement Project, January 29, 2013	2036	11,733	652	592
Lindbergh Field Pipeline Replacement Project, January 29, 2013	2036	3,617	201	101
University Avenue Pipeline Replacement Project, June 7, 2016	2039	22,793	250	250
69th Street & Mohawk Pump Station Project, June 14, 2018	2050	2,564	—	—
Commercial Paper Notes 2017	2019	168,213	595	595
Revenue Bonds				
Subordinated Water Revenue Bonds, Refunding Series 2012 A	2033	177,483	11,831	11,410
Subordinated Water Revenue Bonds, Series 2016 A	2046	73,162	2,612	2,552
Subordinated Water Revenue Bonds, Refunding Series 2016 B	2040	709,628	46,315	46,315
Total Pledged Net Water Systems Revenue		<u>1,212,367</u>	<u>65,613</u>	<u>64,972</u>
Total Pledged Revenues		<u>\$ 2,401,629</u>	<u>\$ 174,797</u>	<u>\$ 173,761</u>

**7. DISCRETELY PRESENTED COMPONENT UNIT LONG-TERM LIABILITIES (Dollars in Thousands)**

Narratives and tables presented in the following sections are taken from the audited comprehensive annual financial report of the San Diego Housing Commission as of June 30, 2018.

**San Diego Housing Commission**

Long-term liabilities of SDHC as of June 30, 2018 are comprised of the following:

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2018 <sup>1</sup>	Due Within One Year
Compensated Absences				\$ 2,352	\$ 2,352
Notes Payable:					
Debts of SDHC:					
Key Bank Real Estate Capital (Smart Corner) dated November 2011 <sup>2</sup>	6.08%	2027	\$ 15,000	5,234	880
City of San Diego Successor Agency, dated March 1992	0.00 forgivable	2022	696	696	—
City of San Diego Successor Agency, dated March 18, 2010	1.00 forgivable	2065	6,095	6,080	—
State of California, Housing Loan Conversion Program dated March 10, 2013	3.00	2068	4,555	4,555	—
Red Capital Mortgage, LLC-Courtyard Apartments	4.92	2030	4,169	4,169	62
Debts of the LLCs:					
Greystone Servicing Corp, Inc. FNMA (Belden)	7.32	2040	12,320	11,002	217
Greystone Servicing Corp, Inc. FNMA (Northern)	7.32	2040	10,810	9,654	191
Greystone Servicing Corp, Inc. FNMA (Central)	7.32	2040	14,010	12,511	247
PNC Bank, NA FHA (Southern)	3.76	2046	25,017	21,913	471
PNC Bank, NA FHA (Northern)	3.76	2046	17,500	15,328	329
PNC Bank, NA FHA (Central)	3.65	2046	15,726	13,762	299
Total Notes Payable				104,904	2,696
Less: unamortized debt issuance costs				(1,535)	—
Total Notes Payable, Net				103,369	2,696
Total Long-Term Liabilities				\$ 105,721	\$ 5,048

<sup>1</sup> Long-term liabilities of the discrete component units of SDHC are not included

<sup>2</sup> Converts to variable interest rate after November 2021

As of June 30, 2018, the current portion of notes payable was \$2,696 and the noncurrent portion was \$102,208.

Debt issuance costs associated with the LLC loans totaled \$2,120, less accumulated amortization of \$585 at June 30, 2018. For fiscal year 2018, amortization totaled \$74. Under guidance issued by the GASB, these fees would be expensed as incurred. However, as the LLCs are not governmental agencies, they follow the standards issued by the Financial Accounting Standards Board. In accordance with ASU 2015-13, debt issuance costs are capitalized and presented as a direct deduction to notes payable. In addition, the debt issuance costs are amortized over the life of the loan using the effective interest method.

In May 2018, SDHC entered into a \$4,169 loan agreement with Red Capital Mortgage, LLC to leverage Courtyard Apartments, which is a 37-unit, affordable rent, property owned by SDHC. The proceeds from the loan funded numerous rehabilitation projects within SDHC's real estate portfolio and administrative costs associated with these projects. The term of the loan is for 12 years, amortized over 30 years, with a fixed interest rate of 4.92% for the life of the loan through the maturity date of June 1, 2030 at which time the unpaid principal balance becomes due and payable.

The American Recovery and Reinvestment Act of 2009 created the new Build America Bond (BABs) program. State and local governments receive subsidy payments directly from the U.S. Treasury for a portion of their borrowing costs on BABs equal to 35% of the total coupon interest paid less reductions in federal appropriations. The subsidy stream is paid for the full term of the bonds. The Belden SDHC FNMA, LLC, the Northern SDHC FHA, LLC and the Southern SDHC FHA, LLC loans have been approved as qualified direct subsidy BABs loans. SDHC received subsidy payments of \$722 in fiscal year 2018.

The projected annual principal and interest payment requirements for all of SDHC's notes payable are noted in the table below.

Year Ending June 30	Principal	Interest	Total
2019	\$ 2,696	\$ 4,799	\$ 7,495
2020	2,846	4,648	7,494
2021	3,006	4,488	7,494
2022	3,175	4,318	7,493
2023	3,354	4,138	7,492
2024-2028	13,313	18,519	31,832
2029-2033	19,893	14,041	33,934
2034-2038	21,754	8,461	30,215
2039-2043	17,047	2,742	19,789
2044-2048	6,488	359	6,847
2049-2068	4,556	6,947	11,503
Subtotal	98,128	73,460	171,588
Forgivable loans <sup>1</sup>	6,776	—	6,776
Total Notes Payable	<u>\$ 104,904</u>	<u>\$ 73,460</u>	178,364
Less: unamortized debt issuance costs			(1,535)
Total Notes Payable, Net			<u>\$ 176,829</u>

<sup>1</sup> This amount includes forgivable loans of \$696 and \$6,080 which are forgiven at maturity in 2022 and 2065, respectively. There was accrued interest of \$0 and \$198, respectively, as of June 30, 2018.



**Discretely Presented Component Units of the San Diego Housing Commission**

The long-term liabilities for the discretely presented component units of SDHC as of December 31, 2017 are as follows:

Type of Obligation	Interest Rate	Maturity Date	Original Amount	Balance Outstanding December 31, 2017	Due Within One Year
<b>Notes Payable:</b>					
HDP Mason Housing Corporation:					
SDHC	3.00%	2068	\$ 2,365	\$ 2,365	\$ —
City of San Diego Successor Agency	5.00	2057	1,319	1,319	—
California Housing Finance Agency	3.00	2066	1,181	1,181	—
SDHC	3.00	2057	226	69	—
SDHC - Debt Forgiveness	0.00	2023	230	115	23
Casa Colina, L.P. :					
Red Mortgage Capital, Inc	5.68	2039	3,465	2,807	71
SDHC	3.00	2059	1,600	1,410	—
Logan Development II, L.P.:					
Housing Authority of the City of San Diego / Serviced by JP Morgan Chase, N.A.	5.58	2032	5,300	3,130	54
SDHC	6.00	2050	1,400	1,400	—
City of San Diego Successor Agency	3.00	2050	150	150	—
HDP Broadway, L.P. :					
Housing Authority of the City of San Diego / Serviced by Berkadia Commercial Mortgage	4.49	2044	17,825	17,150	246
HDP Churchill, LP:					
SDHC	3.00	2071	3,800	3,712	—
City of San Diego Successor Agency	3.00	2070	3,000	2,964	—
California Housing Finance Agency	3.00	2070	1,800	1,800	—
SDHC	3.00	2071	2,307	2,125	—
HDP New Palace, L.P.:					
Housing Authority of the City of San Diego / Serviced by Citibank	4.42	2050	2,107	2,107	—
SDHC	4.00	2073	2,945	2,945	—
California Housing Finance Agency	3.00	2072	2,240	2,240	—
HDP Town & Country L.P.:					
Housing Authority of the City of San Diego / Serviced by Citibank	4.54	2057	11,487	11,487	—
SDHC	6.80	2073	13,250	13,250	—
HDP Village North LLC:					
Red Mortgage Capital, LLC	4.54	2033	9,100	9,100	99
Housing Development Partners (New Palace Hotel):					
Local Initiative Support Cooperation	2.60-6.00	2017	5,200	—	—
Local Initiative Support Cooperation	5.25	2017	599	—	—
Total Notes Payable				82,826	493
Less: unamortized debt issuance costs				(1,268)	—
Total Notes Payable, Net				\$ 81,558	\$ 493

Debt issuance costs totaled \$1,506, less accumulated amortization of \$238 as of December 31, 2017. The future principal payments on the notes payable are as follows:

Year Ending December 31	Principal
2018	\$ 493
2019	525
2020	761
2021	802
2022	840
Thereafter	79,405
Total Notes Payable	82,826
Less: Unamortized Debt Issuance Costs	(1,268)
Total Notes Payable, Net	<u>\$ 81,558</u>

**8. SHORT-TERM LIABILITIES (Dollars In Thousands)**

On December 16, 2016, the City adopted a resolution authorizing the issuance of \$250,000 tax-exempt subordinate water revenue commercial notes in one or more series. The 2017 Commercial Paper Notes (Water CP Notes), of which the first note was issued on January 31, 2017, are payable from subordinate installment payments by revenues of the City's Water Utility Fund. The notes are secured by irrevocable direct-pay letters of credit (LOCs) from the Bank of the West which expire on January 31, 2020, and Bank of America, N.A. which expires on January 31, 2019. Under this program, PFFA is able to issue notes at prevailing short-term interest rates for periods of maturity of up to 270 days. Upon maturity, the notes can be rolled over for additional intervals of 270 days with new short-term interest rates until the notes are refinanced using a long-term bond or cash repayment option. The funds from the Water CP Notes are used to (i) provide short-term financing for design, acquisition, construction, installation and improvements of components of the City's water system, (ii) reimburse the City's Water Utility Fund for eligible expenditures in accordance with the reimbursement resolution and (iii) pay costs of issuance for the Water CP Notes.

On September 27, 2018, the City adopted a resolution authorizing the issuance and sale by PFFA of one or more series of water revenue bonds (2018 Water Bonds) in an amount not to exceed \$283,000 to provide funds for the financing of projects, including refunding all outstanding Water CP Notes. The City has met the conditions prescribed in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, as (a) the City intends to refinance the Water CP Notes on a long-term basis and (b) the City has the ability to consummate the refinancing. The outstanding balance of \$168,213 of Water CP Notes as of June 30, 2018 has been reclassified as a long-term obligation in the Water Utility financial statements.

	Beginning Balance	Additions	Reductions <sup>1</sup>	Ending Balance
Water Revenue Commercial Paper Notes	\$ 42,469	\$ 125,744	\$ 168,213	\$ —

<sup>1</sup> Reclassified as a long-term obligation. See Note 6 for more information regarding the outstanding Water Revenue Commercial Paper Notes.

See Note 24 for more information regarding Commercial Paper Program activity.

## 9. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Dollars in Thousands)

### San Diego Geographic Information Source (SanGIS)

SanGIS was created in 1997 as a joint powers agreement between the City and the County of San Diego. The agreement was amended and restated in 2016 to update its provisions and to reflect the current status of the structure and operations of SanGIS. SanGIS objectives are to create and maintain a geographic information system, to market and license digital geographic data and software, to provide technical services, and to publish geographical and land-related information for the City and County, other public agencies, and the private sector. SanGIS is governed by a Board of Directors consisting of one voting member from the City and one from the County. The Board approves the annual budget and fiscal audit, sets long range plans and strategic goals, and authorizes major project funding. All initiatives and decisions must be approved by a consensus of both members of the Board before being implemented. The SanGIS fiscal year 2018 annual budget of \$1,429 was funded primarily by equal contributions from the City and County. In its latest audited report, SanGIS reported a decrease in net position of \$67 and an ending net position of \$259 for the fiscal year ended June 30, 2017. Complete stand-alone financial statements are available at [www.sangis.org](http://www.sangis.org).

### San Diego Workforce Partnership (SDWP)

In 1974 the City and County of San Diego jointly formed a Consortium to provide regional employment and training services throughout San Diego County. In 2016, a revised Joint Powers Authority (JPA) agreement was approved to achieve compliance with Workforce Innovation and Opportunity Act federal legislation. The City and County jointly govern the Consortium. The Consortium's Board of Directors consists of two members of the City Council, two members from the County Board of Supervisors, and one member of a charitable organization. The Consortium is empowered to make applications for and receive grants from governmental or private sources. The Board assigned the non-profit San Diego Workforce Partnership, Inc. as the grant recipient and administrative entity to operate the Consortium. To the extent that law mandates any responsibility upon the City and County for debt obligation or liability, the City and the County have agreed to share equally the payment of such an obligation. In its latest audited report, SDWP reported an increase in net position of \$319 and ending net position of \$620 for the fiscal year ended June 30, 2017. Complete stand-alone financial statements can be requested from San Diego Workforce Partnership, Inc. 3910 University Avenue, Suite 400, San Diego, CA 92105.

### San Dieguito River Valley Regional Open Space Park

The San Dieguito River Valley Regional Open Space Park Joint Powers Authority (JPA) was formed in 1989 by the City and County of San Diego and the Cities of Del Mar, Escondido, Poway, and Solana Beach to create, preserve and enhance the San Dieguito River Valley Regional Open Space Park for the benefit of the public. In 2015 an amended and restated agreement was executed, continuing the JPA for fifty years. The JPA Board is composed of two elected officials each from the County and the City, one elected official each from the Cities of Del Mar, Escondido, Poway, and Solana Beach, and one public member representing the Citizens Advisory Committee. The JPA's funding is primarily comprised of operating grants, contributions, and agency assessments based on population and jurisdictional area. The JPA's fiscal year 2018 annual budget for agency contributions was \$986, of which the City's share was \$316, or 32%. In its latest audited report, for the fiscal year ended June 30, 2017, the JPA reported a decrease in net position of \$585 and an ending net position of \$55,805. The debts, liabilities, or obligations of the JPA belong to the JPA, and not the agencies. Upon termination of the agreement or existence of the JPA, real property owned by the JPA will be distributed to the jurisdiction on which the land is located, while remaining assets and liabilities will be divided among the agencies based on the contribution calculation percentages. Complete stand-alone financial statements are available at [www.sdrp.org](http://www.sdrp.org).

**10. LEASE COMMITMENTS (Dollars in Thousands)**

The City leases various properties and equipment. Leased property having elements of ownership are recorded as capital leases and reported as capital assets in the government-wide and proprietary funds financial statements, along with a corresponding capital lease obligation. Leased property that does not have elements of ownership is reported as an operating lease and is expensed when paid.

Capital Leases

The City has entered into various capital leases for equipment, structures, infrastructure, and intangible assets. These capital leases have maturity dates ranging from July 1, 2018 through December 31, 2036 and interest rates ranging from 0.00% to 6.47%. A schedule of future minimum lease payments under capital leases as of June 30, 2018 is provided in Notes 5 and 6. The value of the City's capital leased assets as of June 30, 2018 is \$208,676, net of accumulated depreciation of \$40,051. These amounts are categorized by fund type and major asset class in the table below.

Values of Capital Leased Assets by Major Asset Class			
	Gross Value	Depreciation	Net Book Value
Governmental			
Structures & Improvements	\$ 83,457	\$ (3,285)	\$ 80,172
Equipment	98,541	(36,000)	62,541
Land	33,049	—	33,049
Construction in Process	17,281	—	17,281
Equipment (Intangible)	9,278	(316)	8,962
Total Governmental	<u>\$ 241,606</u>	<u>\$ (39,601)</u>	<u>\$ 202,005</u>
Business-Type			
Construction in Progress	\$ 4,871	\$ —	\$ 4,871
Infrastructure	2,250	(450)	1,800
Total Business-Type	<u>\$ 7,121</u>	<u>\$ (450)</u>	<u>\$ 6,671</u>

Operating Leases

The City's operating leases consist primarily of rental property occupied by City departments. Lease obligations for City-leased space include rent, utility charges, common area maintenance, storage, and parking. If a department pays for parking, storage, etc. that is not contracted for in the lease, those charges are not included. Departments are allocated charges based on the percentage of the total leased space occupied. The following is a schedule of future minimum rental payments required under operating leases entered into by the City for property that has initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2018:

Year Ending June 30	Amount
2019	\$ 20,292
2020	17,920
2021	10,509
2022	9,784
2023	9,424
2024-2028	35,355
2029-2033	33,962
2034-2038	26,113
Total	<u>\$ 163,359</u>

Rent expense, as related to operating leases, was \$20,721 for the year ended June 30, 2018, of which \$12,091 was reported as governmental activities, and \$8,630 as business-type activities.

#### Lease Revenues

The City has operating leases for certain land, buildings, and facilities with tenants and concessionaires. Leased capital asset carrying values of approximately \$178,028, as well as depreciation, are reported in Note 4 and are consolidated with non-leased assets. This amount includes \$60,186 for Petco Park, which is subject to the Joint Use Management Agreement reported in Note 21. Minimum annual lease revenues are reported in the following schedule:

Year Ending June 30	Amount
2019	\$ 45,467
2020	44,141
2021	41,559
2022	40,113
2023	39,267
2024-2028	186,357
2029-2033	172,320
2034-2038	161,159
2039-2043	146,631
2044-2048	133,781
2049-2053	58,414
2054-2058	30,991
2059-2063	16,799
2064-2068	9,146
Total	<u>\$ 1,126,145</u>

This amount does not include contingent rentals, which may be received under certain leases of property on the basis of percentage returns. Rental income as related to operating leases was \$75,759 for the year ended June 30, 2018, which includes contingent rentals of \$30,814.

**11. DEFERRED COMPENSATION PLAN (Dollars in Thousands)**

The City, SDCCC, and SDHC each offer their employees a deferred compensation plan, created in accordance with Internal Revenue Service Code Section 457, State and Local Government Deferred Compensation Plans. These plans permit eligible employees to defer, pre-tax, a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, disability, or an unforeseeable emergency. All assets and income of the deferred compensation plans are held in trust for the exclusive benefit of plan participants and their beneficiaries.

In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the deferred compensation plans are not considered part of the City's financial reporting entity.

## 12. PENSION PLANS (Dollars in Thousands)

The City has a defined benefit pension plan and various defined contribution pension plans covering substantially all of its employees. The defined benefit pension plan (Pension Plan) is closed to new City employees hired on or after July 20, 2012 except for sworn police officers who continue to participate in the Pension Plan.

An initiative titled "Comprehensive Pension Reform of San Diego" (Proposition B) was approved by voters on June 5, 2012 and implemented by the City in fiscal year 2013. Generally, the measure amended the City Charter to provide all new City employees hired on or after July 20, 2012, except sworn police officers, with a 401(a) defined contribution plan instead of a defined benefit plan. The initiative contains other provisions intended to limit pension costs for existing employees by directing the City to seek, through labor negotiations, to limit City employees' compensation used to calculate pension benefits. This limitation on the City's negotiating authority was in effect until June 30, 2018. Pensionable pay increases may be authorized with a two-thirds vote of the City Council following preparation of an actuarial report that discloses the impact of any proposed increases in compensation or benefits on the City's Pension Plan.

In fiscal year 2013, the City reached five-year agreements with each of the employees' collective bargaining units for non-pensionable compensation increases for fiscal years 2014 through 2018. The agreements freeze pensionable pay and cost-of-living increases for the same period (pensionable pay ranges were frozen, but pensionable pay within those ranges continues to increase for some employees based on years of service in salary classes and promotions as specified by the 2011 salary ordinance). The labor agreements could have been reopened at the option of employee organizations in fiscal years 2017 and 2018, but only for changes in non-pensionable compensation. On October 15, 2015, the San Diego Municipal Employee Association (MEA), the labor group that represents technical, office, professionals, and supervisory City employees, voted to ratify a tentative labor agreement between MEA and the City for fiscal years 2017 through 2020. Likewise, on or about April 22, 2016, the City reached agreements with American Federation of State, County and Municipal Employees (AFSCME) Local 127, Fire Local 145, Deputy City Attorneys Association of San Diego (DCAA) and Teamsters Local 911 effective for fiscal years 2017 through 2020 (with the exception of DCAA which expires at the end of fiscal year 2019). On December 5, 2017, the City Council ratified an agreement with the San Diego Police Officers Association (POA) to increase pensionable compensation for represented employees totaling 25.6% to 30.6%, depending on the length of sworn service, beginning July 1, 2018. Increases range from 5.0% to 8.3% semi-annually through the end of the term on June 30, 2020. Each non-POA labor agreement increased pensionable pay for fiscal years 2019 and 2020 by 3.3% for each fiscal year, with DCAA only for fiscal year 2019.

Proposition B is the subject of ongoing litigation. On February 11, 2013, a Public Employee Relations Board (PERB) administrative law judge issued a proposed decision finding that the City violated state labor laws by failing to meet and confer with City labor organizations prior to placing Proposition B on the ballot. The City filed exceptions to the proposed decision. On December 29, 2015, PERB issued Decision No. 2464 M (PERB Decision), which affirmed and adopted the proposed decision with minor modifications. The City had filed an appeal with the Fourth District California Court of Appeal, and on April 11, 2017, the Court found the City did not violate state labor laws, however, on July 27, 2017, the California Supreme Court announced they have agreed to review the Fourth District Court of Appeal ruling on Proposition B. The litigation could potentially repeal or unwind the implementation of some requirements of Proposition B. Proposition B closed the defined benefit retirement plan to newly-hired City employees except sworn police officers. Other employees hired after the effective date of Proposition B participate in a defined contribution plan. Since its passage, the City has assumed the validity of Proposition B and has complied with its requirements in all respects. All actual outcomes are dependent on the negotiations with the employee organizations and actual financial impacts are unknown. Notwithstanding the PERB litigation, the actuarial valuation as of June 30, 2017 assumes the validity of Proposition B that the City has fully implemented its requirements as it relates to the City's Pension Plan, and that the City intends to comply with those requirements under the terms specified in the initiative. See Note 24 for more information regarding further developments of Proposition B after the fiscal year reporting date.



## DEFINED BENEFIT PLAN

### a. Pension Plan Description and Benefits Provided

SDCERS is a public employee retirement system established in fiscal year 1927 by the City, authorized by Article IX of the City Charter. SDCERS administers independent, qualified, single employer governmental defined benefit plans and trusts for the City, the San Diego Unified Port District (Port), and the San Diego County Regional Airport Authority (Airport). The assets of the three separate plans and trusts are pooled in the SDCERS Group Trust for investment purposes. These plans are administered by the SDCERS Board (Board) to provide retirement, disability, death and survivor benefits for its members. Amendments to the City's benefit provisions require City Council approval and amendments to retirement benefits require a majority vote by those SDCERS members who are also eligible City employees or retirees. Benefit increases also require a majority vote of the public. All approved benefit changes are codified in the City's Municipal Code.

The plans cover all eligible employees of the City, the Port, and the Airport. All City employees initially hired before July 20, 2012 working half-time or greater, all sworn police officers of the City irrespective of hire date, and full-time employees of the Port and Airport are eligible for membership and are required to join SDCERS. The Port and Airport are not component units of the City; however, the financial statements of the SDCERS Pension Trust do include the Port and Airport activity and are reported in the fiduciary funds section of this report.

The information disclosed in this note relates solely to the City's participation in SDCERS. City employment classes participating in the City's Pension Plan are elected officers, general employees and safety employees (including police, fire and lifeguard members). These classes are represented by various unions depending on the type and nature of work performed, except for elected officials, unclassified and unrepresented employees.

As a defined benefit plan, retirement benefits are determined under the Pension Plan primarily by a member's class, hire date, age at retirement, number of years of creditable service, and the member's final compensation. The Pension Plan provides annual cost-of-living adjustments not to exceed 2% to retirees, which is factored into the actuarial assumptions. Increases in retirement benefits due to cost-of-living adjustments do not require voter approval.

Final compensation is based upon either the highest salary earned over a consecutive twelve month period, the highest average salary earned over three one-year periods, or the highest salary earned over a consecutive 36 month period, depending on the member's hire date. To qualify for a service retirement benefit, the Pension Plan requires ten years of service at age 62 for general members (55 for safety members) or 20 years of service at age 55 for general members (50 for safety members), which could include certain service purchased or service earned at a reciprocating government entity. Under Proposition B, sworn police officers hired after July 1, 2013 have a reduction of 3.0% per year if retiring earlier than age 55. Retirement benefits are awarded at various rates, ranging from 1.0% to 3.5% per year of service multiplied by final compensation depending on the member's plan and hire date. The actual percentage of final compensation per year served component of the calculation rises as the employee's retirement age increases, with the exception of some safety employees and all elected officials, and depends on the retirement option selected by the employee. Some safety members also have the option to elect 3.0% per year of service at age 50 and above, not to exceed 90% of final compensation, as part of the formula to calculate their retirement benefits. The maximum percentage of final compensation per year served is 2.8% for general members, 3.0% for safety members and 3.5% for elected officers. Depending on the number of years of service, participants of the Elected Officer's Retirement Pension component of the Pension Plan can retire earlier than the age of 55; however, their retirement allowance is reduced by 2.0% for each year under the age of 55.

At June 30, 2017, the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits <sup>1</sup>	9,768
Inactive (Terminated) Employees Entitled to but not yet Receiving Benefits	2,851
Active Employees	<u>6,388</u>
Total	<u><u>19,007</u></u>

<sup>1</sup> Inactive employees include Disabled, Retired, and DROP participants.

#### Deferred Retirement Option Plan (DROP)

DROP is a program designed to allow members an alternate method of accruing additional retirement benefits from the Pension Plan while they continue to work for the City. Only members hired before July 1, 2005 are eligible to participate in DROP. A member must be eligible for a service retirement to enter DROP. In addition, the member may only participate in the program up to a maximum of five years. Members of Local 145 are permitted to extend the five year period by that amount of post-2002 annual leave not converted to service credits. A DROP participant must agree to end employment with the City on or before the end of the selected DROP participation period. The member's decision to enter DROP is irrevocable.

Upon entering DROP, the participant stops making pension contributions to SDCERS and stops earning service credit. Instead, amounts equivalent to the participant's retirement benefit plus additional DROP contributions are credited to an interest bearing individual account held in the participant's name. While participants were employed by the City, the quarterly interest credited to the DROP participant accounts was 1.5% in the first half of fiscal year 2018 and 2.0% in the second half. When the participant leaves DROP and retires from City service, the participant's DROP account balance may be paid in a lump sum, rolled over to another plan, or converted to monthly payments. The DROP annuity factor used to calculate the monthly payments for fiscal year 2018 was 2.8%. During the period of participation, the participant continues to receive employer offered benefits available to regular employees with exception to earning service credit, as previously discussed.

#### Purchase of Service Credits

Pension Plan members hired prior to July 1, 2005 are permitted to purchase service credits to be used in determining retirement allowances. Members hired after July 1, 2005 are only permitted to purchase service credits related to certain employee absences such as military leave, long-term disability leave and leave taken under the Family and Medical Leave Act. The cost of purchased service credits is determined by the SDCERS Board consistent with the requirements of the San Diego Municipal Code (SDMC).

#### Supplemental Cost-of-Living Benefit

On August 5, 2013, the City Council amended the San Diego Municipal Code to provide a method for funding a supplemental cost-of-living benefit (the "Supplemental COLA") previously given to a closed group of retirees who retired on or before June 30, 1982. SDCERS holds a reserve within the plan assets, and pays Supplemental COLA benefits from this reserve. On a yearly basis, the City cash funds the Supplemental COLA reserve based on an estimate of benefits to be paid during the fiscal year. In fiscal year 2018, the City contributed \$1,872 towards the Supplemental COLA reserve and paid approximately \$1,842 in benefits. As of June 30, 2018, the City's Supplemental COLA reserve had an unspent balance of \$147.

**b. Funding Policy and Contribution Rates**

City Charter Article IX Section 143 requires employees and employers to contribute to the Pension Plan. The Charter section stipulates that funding obligations of the City shall be determined by the Board of SDCERS and are not subject to modification by the City. The section also stipulates that under no circumstances may the City and Board enter into any multi-year funding agreements that delay full funding of the Pension Plan. The City's Actuarially Determined Contribution (ADC) is calculated by SDCERS' actuary and approved by the SDCERS Board. The Charter requires that employer contributions for normal retirement allowances be substantially equal to employee contributions.

Pursuant to the Charter, City employer contribution rates, adjusted for payment at the beginning of the year, are actuarially determined rates and are expressed as a fixed ADC. The administrative component was assumed to be \$11.5 million for fiscal year 2018, reflecting the final year of a three year phase-in. For fiscal year 2018 and all fiscal years following, 100% of the expected administrative expenses will be added to the ADC. The administrative component is assumed to increase by 2.5% per year.

The following table shows the City's contribution rates (weighted average of each employee group) for fiscal year 2018, based on the June 30, 2016 actuarial valuation, expressed as percentages of expected payroll:

	Employer Contribution Rates	
	Non-Safety Members	Safety Members
Normal Cost <sup>1</sup>	10.35%	15.54%
Amortization Payment <sup>2</sup>	58.43%	70.03%
Administrative Expense <sup>3</sup>	2.53%	3.14%
Normal Cost Adjusted for Amortization Payment <sup>3</sup>	71.31%	88.71%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	68.96%	85.75%

<sup>1</sup> Normal Cost = The actuarial present value of pension plan benefits allocated to the current year actuarial cost method.

<sup>2</sup> Amortization Payment = The portion of the pension plan contribution, which is designed to pay interest on and amortize the unfunded actuarial accrued liability.

<sup>3</sup> Rates assume that contributions are made uniformly during the Plan year.

Members are required to contribute a percentage of their annual salary to the Pension Plan on a biweekly basis. Rates vary according to entry age. For fiscal year 2018, the City employee weighted average contribution rates as a percentage of annual covered payroll were 9.80% for general members and 14.92% for safety members.

In accordance with Chapter 2, Article 4, Division 15 of the SDMC, earnings in excess of the assumed actuarial rate of return are distributed to various SDCERS system reserves and contingent benefits. The order of distribution and a more detailed discussion of each distribution follows: 1) Pension Plan assets are used to credit interest, at a rate determined by the SDCERS Board, which was 7.00% for fiscal year 2018, to the Employer and Employee Contribution Reserves and between 1.50% - 2.00% to the DROP member accounts; and 2) Pension Plan assets are distributed for supplemental or contingent payments or transfers to reserves. These items include in priority order: 1) Annual Supplement Benefit Payment (13th Check) paid to retirees and their continuances, which ranges from \$30 (whole dollars) times the number of years of service credit; 2) Corbett Settlement Payment paid to retirees who terminated employment prior to July 1, 2000 (Corbett Settlement payments not paid in any one year accrue and remain an obligation of SDCERS until paid); and 3) Crediting interest to the Reserve for Supplemental Cost-of-Living Adjustment (SCOLA).

**c. Net Pension Liability**

The City has relied on the work of the SDCERS actuary to determine the City's Net Pension Liability, and considers the underlying assumptions used by the actuary to be reasonable. The Net Pension Liability is measured as of June 30, 2017, based on the plan net position as of June 30, 2017 and the Total Pension Liability as of the valuation date, June 30, 2016, updated to June 30, 2017. On November 13, 2015, the SDCERS Board approved a change in the long-term discount rate to include in the June 30, 2016 actuarial valuation. The discount rate was lowered from 7.125% to 7.00% for the June 30, 2016 valuation, and to 6.75% for the June 30, 2017 valuation. On September 8, 2017, the SDCERS Board approved further changes to actuarial assumptions, including: a) reductions in the pension system's long-term discount rate from 7.00% to 6.75% effective with the July 1, 2017 actuarial valuation, and from 6.75% to 6.50% effective thereafter; and b) a smoothing of future payments requiring higher City contributions from 2029 to 2033. SDCERS Board decisions are subject to further consideration with other assumptions in the following year's Board approval process. There were changes in assumptions as of the measurement date so the update procedures include the addition of service cost and interest cost offset by actual benefit payments, plus an adjustment due to the assumption changes.

A summary of the updated actuarial assumptions as of the June 30, 2016 actuarial valuation, and the economic experience study is shown below:

Description	Actuarial Assumption
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Funding Method	Entry Age Normal (EAN)
Amortization Method	Closed; Level % (Police), Level \$ (non-Police)
Annual Rate of Return on Investments <sup>1</sup>	6.75% net of investment expense
Inflation Rate	3.05% per year, compounded annually
Cost of Living Adjustment	1.9% per year, compounded annually
Projected Salary Increases due to Inflation <sup>2</sup>	0% FY16-FY18, 3.05% thereafter
Mortality	Healthy retired members use CalPERS Mortality Tables

<sup>1</sup> Represents nominal rate of return on investments (includes inflation factor).

<sup>2</sup> Additional merit salary increases of 0.50% to 8.00% based on a participant's years of service, and membership group are also assumed.

The actuarial assumptions used to determine the total pension liability as of June 30, 2017 measurement date were based on the results of a full actuarial experience study performed by the SDCERS actuary for the period July 1, 2010 through June 30, 2015 and adopted by the SDCERS Board in September 2016, and the results of an economic experience study performed by the SDCERS actuary and presented to the SDCERS Board in November 2015.

GASB 68 permits the use of the assumed annual rate of return on investments (6.75%) as the discount rate to measure the projected benefit payments used to calculate the Net Pension Liability, without regard to the funding level of the pension system, if (i) the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (ii) pension plan assets are expected to be invested using a strategy to achieve that return. In determining whether condition (i) is satisfied, the actuary can incorporate all projected cash flows for contributions from the City and from current active employees.

To determine the Pension Plan's projected fiduciary net position, SDCERS' actuary has assumed that employees will continue to contribute to SDCERS at the current rates and that the City will continue its historical practice (since 2006) of contributing to

SDCERS based on an actuarially determined contribution. Accordingly, the City has calculated its Net Pension Liability using a discount rate of 6.75%.

**d. Long-Term Expected Real Rate of Return**

The target allocation and the best estimates for long-term expected real rates of return for each major asset class of the Pension Plan, as of the June 30, 2017 measurement date, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	21.0%	4.4%
International Equity	15.0%	5.2%
Global Equity	5.0%	5.0%
Domestic Fixed Income	22.0%	1.3%
Emerging Market Debt	5.0%	3.7%
Real Estate	11.0%	3.1%
Private Equity and Infrastructure	13.0%	6.2%
Opportunity Fund	8.0%	4.3%
Total	100.0%	

Source: SDCERS CAFR, fiscal year 2017

Expected return estimates for equity and fixed income were developed using a geometric (long-term compounded) building block approach: 1) expected returns are based on observable information in the equity and fixed income markets and consensus estimates for major economic and capital market inputs, such as earnings and inflation, and 2) where necessary, judgment-based modifications are made to these inputs. Return assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment from SDCERS' general investment consultant specialist research teams.

**e. Changes in the Net Pension Liability**

The following table shows the changes in Net Pension Liability based on the actuarial information provided to the City:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 8,946,660	\$ 6,296,106	\$ 2,650,554
Changes for the Year:			
Service Cost	106,878	—	106,878
Interest	613,530	—	613,530
Differences Between Expected and Actual Experience	71,123	—	71,123
Changes in assumptions	249,740	—	249,740
Contributions - Employer	—	265,572	(265,572)
Contributions - Employee	—	57,050	(57,050)
Net Investment Income	—	857,923	(857,923)
Benefit Payments, Including Refunds of Employee Contributions	(477,039)	(477,039)	—
Administrative Expense	—	(10,778)	10,778
Net Changes	564,232	692,728	(128,496)
Balances at June 30, 2017	\$ 9,510,892	\$ 6,988,834	\$ 2,522,058

The required schedule of changes in the net pension liability and related ratios immediately following the notes to the financial statements presents the beginning and ending balances of the total pension liability, the plan net position available for pension benefits, and the net pension liability, as well as the itemized changes in those amounts during the fiscal year. The schedule also reports a ratio of plan fiduciary net position divided by the total pension liability, the payroll amount for current employees in the plan (covered payroll), and a ratio of the net pension liability divided by covered payroll. Four years of information is presented and will build to 10 years of information on a prospective basis.

The required schedule of employer contributions immediately following the notes to the financial statements presents the City's actuarially determined contribution to the Pension Plan, the City's actual contribution, the difference between the actual and actuarially determined contributions, and a ratio of actual contributions divided by covered payroll.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - Pursuant to GASB 68, the following table presents the Net Pension Liability of the City, calculated using the discount rate of 6.75% as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Total Pension Liability	\$ 10,643,690	\$ 9,510,892	\$ 8,578,170
Plan Fiduciary Net Position	6,988,834	6,988,834	6,988,834
Net Pension Liability	<u>\$ 3,654,856</u>	<u>\$ 2,522,058</u>	<u>\$ 1,589,336</u>

**Pension Plan Fiduciary Net Position** - Detailed information about the Pension Plan's Fiduciary Net Position is available in the separately issued SDCERS financial reports available at [www.sdcers.org](http://www.sdcers.org).

**f. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2018, the City recognized pension expense of \$507,551. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 328,922	\$ —
Differences Between Expected and Actual Experience	54,511	—
Changes in Assumptions	373,264	—
Net Difference Between Projected and Actual Earnings on Pension Plan Assets	—	95,104
Total	<u>\$ 756,697</u>	<u>\$ 95,104</u>

Pursuant to GASB 68, \$328,922 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date of June 30, 2017, will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense in subsequent measurement periods as follows:

Measurement Year Ending June 30	Amount
2018	\$ 262,192
2019	155,433
2020	(2,237)
2021	(82,717)

**g. Preservation of Benefits (POB) Plan**

The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). As provided in SDMC Section 24.1606 and required by federal tax law, the POB Plan is unfunded within the meaning of the federal tax laws. The City may not pre-fund the POB Plan to cover future liabilities beyond the current year as it can with an IRC section 401(a) pension plan. Because POB Plan is not administered through trusts that meet the criteria specified in GASB 68, it is reported in accordance with requirements of GASB 73, implemented by the City in fiscal year 2017. The requirements of GASB 73 extend the approach to accounting and financial reporting established in GASB 68 to pension plans that are not administered through trusts and meet specific criteria. SDCERS facilitates the payment of these benefits on a pay-as-you-go basis, which is funded by the City. The number of participants in any given year for the POB Plan is determined by the number of Pension Plan participants who exceed the current year's section 415(b) limitations as calculated by SDCERS' actuary. The maximum annual participant payment from a defined benefit plan for calendar year 2017 was \$215.

Preservation of Benefits Plan Total Pension Liability

The City's POB Plan pension cost for June 30, 2018 is based on the June 30, 2017 measurement date and on a valuation date of June 30, 2016, updated to June 30, 2017 as prepared by the SDCERS actuary. The Total Pension Liability (TPL) is the actuarial liability calculated under the entry age actuarial cost method. There were changes in the assumptions as of the measurement date, to include the addition of service cost and interest cost offset by actual benefit payments, plus the adjustment due to assumption changes.

A summary of the updated actuarial assumptions as of the June 30, 2016 actuarial valuation and economic experience study is shown below:

Description	Actuarial Assumption
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Funding Method	Entry Age Actuarial Cost
Amortization Method	Closed; Level % (Police), Level \$ (non-Police)
Inflation Rate	3.05% per year, compounded annually
Cost of Living Adjustment	1.9% per year, compounded: Active and Deferred Vested 2.0% per year, compounded: Members in Payment Status
Projected Salary Increases due to Inflation <sup>1</sup>	0% FY16-FY18, 3.05% thereafter
Mortality	Healthy retired members use CalPERS Mortality Tables

<sup>1</sup> Additional merit salary increases of 0.50% to 8.00% based on a participant's years of service, and membership group are also assumed.

GASB 73 allows for a discount rate of a yield or index rate for a 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The Municipal Bond yield for the Bond Buyer 20 year GO index was 2.85% as of the measurement date of June 30, 2016 and 3.58% as of June 30, 2017.

#### Changes in the Total Pension Liability

The following table shows the changes in the total pension liability for POB based on the actuarial information provided to the City (dollars in thousands):

	Total Pension Liability
Balances at June 30, 2016	\$ 11,747
Changes for the Year:	
Service Cost	60
Interest	312
Differences Between Expected and Actual Experience	635
Changes in assumptions	(589)
Benefit Payments	(1,633)
Net Changes	(1,215)
Balances at June 30, 2017	\$ 10,532

The required schedule of changes in the total pension liability immediately following the notes to the financial statements presents the beginning and ending balances of the total pension liability as well as the itemized changes in those amounts during the fiscal year. The schedule also reports the payroll amount for current employees in the plan (covered payroll), and a ratio of the net pension liability divided by covered payroll. Two years of information is presented, and will build to 10 years of information on a prospective basis.



**Sensitivity of the Total Pension Liability to Changes in the Discount Rate** - Pursuant to GASB 73, the following table presents the Net Pension Liability of the City, calculated using the discount rate of 3.58%, as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total Pension Liability	<u>\$ 11,361</u>	<u>\$ 10,532</u>	<u>\$ 9,844</u>

Pension Expense and Deferred Outflows/Inflows of Resources Related to POB

For the fiscal year ended June 30, 2018, the City recognized pension expense of \$917. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
POB Contributions Subsequent to Measurement Date	\$ 1,430	\$ —
Differences Between Expected and Actual Experience	423	—
Changes in assumptions	529	394
Total	<u>\$ 2,382</u>	<u>394</u>

Pursuant to GASB 73, \$1,430 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date of June 30, 2017, will be recognized as a reduction of the total pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense in subsequent measurement periods as follows:

Measurement Year Ending June 30	Amount
2018	\$ 544
2019	14

## DEFINED CONTRIBUTION PLANS

**a. Supplemental Pension Savings Plan - City**

Pursuant to the City's withdrawal from the Federal Social Security System effective January 8, 1982, the City established the Supplemental Pension Savings Plan (SPSP). Pursuant to the Federal Government's mandate of a Social Security Medicare tax for all employees not covered by Social Security hired on or after April 1, 1986, the City established the Supplemental Pension Savings Plan-Medicare (SPSP-M). The SPSP and SPSP-M were merged into a single plan (SPSP) on November 12, 2004 for administrative simplification, without a change in benefits. Pursuant to the requirements of the Omnibus Budget Reconciliation Act of 1990 (OBRA-90) requiring employee coverage under a retirement system in lieu of coverage under the Federal Insurance Contributions Act (FICA) effective July 1, 1991, the City Council established the Supplemental Pension Savings Plan-Hourly (SPSP-H). These supplemental plans are defined contribution plans administered by Wells Fargo to provide pension benefits for eligible employees. The City Council can amend any provisions of the plans that are not part of any employee's vested retirement benefit. If the City amends any non-legally mandated provisions, it must first comply with procedural requirements, including collective bargaining under the Meyers-Milias-Brown Act and for the SPSP plan, after approval by a simple majority vote of all active members. There are no plan members who belong to an entity other than the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings, less investment losses. The City's general members, lifeguard members and elected officers participate in the plan. Eligible employees may participate from the date of employment; however, the SPSP plan was closed to general and lifeguard members hired on or after July 1, 2009 and January 1, 2011, respectively. The following table details plan participation as of June 30, 2018:

<u>Plan</u>	<u>Participants</u>
SPSP	5,882
SPSP-H	8,141

The SPSP requires that both the employee and the City contribute an amount equal to 3% of the employee's total salary each pay period. Participants in the plan hired before July 1, 1986 may voluntarily contribute up to an additional 4.5% and participants hired on or after July 1, 1986 may voluntarily contribute up to an additional 3.05% of total salary, with the City matching each. Hourly employees contribute 3.75% on a mandatory basis, which is matched by City contributions except for employees represented by the MEA and the California Teamsters Local 911. The match for these employees was 6% during fiscal year 2018. Under the SPSP, the City's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service at a rate of 20% for each year of service. Hourly employees are immediately 100% vested. The unvested portion of City contributions and interest forfeited by employees who leave employment before five years of service are used to reduce the City's SPSP cost.

**401(a) Plan Under Proposition B** - Proposition B amended the City Charter to provide all new City employees initially hired on or after July 20, 2012, except sworn police officers, with a 401(a) plan that is administered along with SPSP but with different contribution rates, vesting periods and employer match. Non-public safety employees contribute an amount equal to 9.2% of salary, and firefighters, lifeguards, and police recruits contribute 11% of salary (including overtime) on a mandatory basis. The City matches all such contributions and contributions are fully vested immediately upon employment. Police recruits participate in SDCERS upon acceptance of full-time police employment. Due to ongoing litigation regarding Proposition B, the City has not established a new plan for eligible employees. Instead, the City has contributed funds to SPSP-H, an existing 401(a) plan, to eligible employees in accordance with the SPSP-H plan provisions. The City will continue to contribute funds for such employees through the SPSP-H, pending resolution of Proposition B litigation.

In fiscal year 2018, the City and the covered employees contributed \$32,830 and \$32,443, respectively, including contributions made under the 401(a) Plan under Proposition B. As of June 30, 2018, the plan fiduciary net position totaled \$811,758. SPSP, which includes SPSP-H, is considered part of the City's financial reporting entity and is reported as a pension trust fund.

**b. 401(a) Plan - City**

The City Council established a 401(a) Plan for all General Member employees hired on or after July 1, 2009 and before July 20, 2012. The 401(a) Plan is a defined contribution plan administered by Wells Fargo to provide pension benefits for eligible employees. Employees are eligible to participate from the date of employment and are immediately 100% vested. Employees contribute 1% on a mandatory basis, which is matched by City contributions. Additionally, employees can make voluntary contributions to their 401(a) Plan accounts through payroll deductions not to exceed IRS limits. Voluntary contributions to the plan are not matched by the City. The City Council can amend any provisions of the plan that are not part of any employee's vested retirement benefit. However, if the City amends any non-vested provisions, it must first comply with procedural requirements, including collective bargaining under the Meyers-Milias-Brown Act.

The City and employees contributed \$374 and \$554, respectively, during the year ended June 30, 2018. As of June 30, 2018, the plan fiduciary net position totaled \$6,189. The 401(a) Plan is considered part of the City's financial reporting entity and is reported as a pension trust fund.

**c. 401(k) Plan - City**

The City Council established a 401(k) Plan effective July 1, 1985. The 401(k) Plan is a defined contribution plan administered by Wells Fargo to provide retirement benefits for eligible employees. Employees are eligible to participate from the date of employment. Employees make contributions to their 401(k) Plan accounts through payroll deductions. The City Council can amend any provisions of the plan that are not part of any employee's vested retirement benefit. However, if the City amends any non-vested provisions, it must first comply with procedural requirements, including collective bargaining under the Meyers-Milias-Brown Act.

The employees' 401(k) contributions are based on IRS calendar year limits. Employees contributed \$30,433 during the year ended June 30, 2018. There is no City contribution towards the 401(k) Plan. As of June 30, 2018, the plan fiduciary net position totaled \$410,943. The 401(k) Plan is considered part of the City's financial reporting entity and is reported as a pension trust fund.

*Narratives presented in the following sections (d. through g.) are taken directly from the fiscal year 2018 annual financial reports of the corresponding entity (certain terms have been modified to conform to the City's CAFR presentation).*

**d. Pension Plan - Civic San Diego**

CSD sponsors a 403(b) tax deferred retirement plan (Plan) of the Internal Revenue Code of 1986, which is provided to all full-time regular employees. The Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the Plan by the employer and the employees, plus investment earnings. All full-time regular employees are eligible to participate on their first day of employment with an employer contribution amount equal to 7.5% of their eligible bi-weekly compensation.

Effective on the first payroll following three months of employment, CSD contributes an amount equal to 12% of the total eligible bi-weekly compensation for all full-time regular employees. CSD's contributions for each employee are fully vested at the time of contribution. CSD's total payroll (excluding benefits) for fiscal year 2018 was \$3,525. CSD's contributions were calculated

based on the Plan's total defined compensation amounts for all eligible employees, which totaled \$2,960. CSD made its required contribution amounting to \$352 for fiscal year 2018.

The fiduciary responsibilities of CSD consist of making timely contributions and remitting deposits collected. The Plan is not a component unit of CSD and is therefore not reported in the City's basic financial statements.

CSD defined that an eligible participant is a permanent and full-time employee that normally works at least 30 hours per week. An employee is considered to work at least 30 hours per week, if for the 12-month period beginning on the date the employee's employment commenced, CSD reasonably expects the employee to work at least 1,500 service hours and, for each Plan year ending after the close of that 12-month period, the employee has worked at least 1,500 service hours.

**e. Pension Plan - San Diego Convention Center Corporation**

The SDCCC Money Purchase Pension Plan (SDCCC Plan) is a governmental plan under IRC section 414(d), which was established effective January 1, 1986, by SDCCC's Board of Directors. The SDCCC Plan is administered by SDCCC through a Defined Contribution Committee, represented by the SDCCC Board and staff, who act by a majority of its members in office to carry out the general administration of the plan. Any recommended plan amendments are subject to the approval and adoption by SDCCC's Board of Directors. As part of the SDCCC Plan, SDCCC through Board action selected Wells Fargo & Company as Trustee, to hold and administer plan assets subject to the terms of the SDCCC Plan. The SDCCC Plan is a qualified defined contribution plan and as such, benefits depend on amounts contributed to the plan plus investment earnings less allowable plan expenses. The SDCCC Plan covers all employees who have completed at least 1,000 or more hours of service in one year and are not covered through a union retirement plan.

Full-time employees are eligible to participate in the SDCCC Plan on the first day of the month after completion of 1,000 hours of service and receive contributions on a bi-weekly basis thereafter. Part-time employees are eligible to participate in the SDCCC Plan after completion of 1,000 hours and receive contributions annually once they meet the 1,000 hours threshold requirement each year. For each Plan year, SDCCC contributes 10% of compensation paid after the employee becomes an eligible participant, which is transferred to the trustee on behalf of each qualifying individual.

SDCCC's Plan year is defined as a calendar year. The balance in the SDCCC Plan for each eligible employee is vested gradually over five years of continuing service with an eligible employee becoming fully vested after five years. Forfeitures and SDCCC Plan expenses are allocated in accordance with SDCCC Plan provisions. For the year ended June 30, 2018, pension expense amounted to \$1,247, with no employee contributions made to the SDCCC Plan. Included in pension expense were forfeitures in the amount of \$19. SDCCC records pension expense during the fiscal year based upon employee compensation that is included in qualified gross compensation.

The City does not act in a trustee or agency capacity for the SDCCC Plan; therefore, these assets are not reported within the City's basic financial statements.

**f. Pension Plan - San Diego Housing Commission**

SDHC provides a pension plan through a defined contribution plan intended to be a "governmental plan" as defined by Section 411(s) (1)(A) and 414(d) of the IRC and Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The SDHC pension plan covers all SDHC employees classified as permanent full time and permanent part time hired to work a minimum of 20 hours per week.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Eligible employees participate on their day of hire. SDHC contributes 14% of defined earnings each pay period for each eligible employee. Contributions (and interest allocated to the employee's account) vest ratably over four years of service, with a year of service defined as an employee completing at least 1,000 hours of service. Any forfeited SDHC contributions and related interest are used to fund a future SDHC pay period contribution. For the fiscal year ended June 30, 2018, covered payroll was \$22,492. Pension expense related to SDHC's required contribution was \$3,149 and plan members contributed \$193 for the fiscal year ended June 30, 2018.

At June 30, 2018, there were 408 employees in the plan, including: 2 inactives receiving benefits, 106 inactives not yet receiving benefits and 300 active employees.

The retirement pension benefit is available at normal retirement age (62nd birthday) or upon termination or disability. The retirement pension benefits are determined based upon the vested value of the participant's accumulation accounts at the time of distribution. Distributions must commence no later than April 1st of the calendar year following the calendar year in which the participant attains age seventy and one-half (70½) years of age.

The SDHC pension plan has a third party fiduciary, Retirement Benefits Group, and a third party recordkeeper, Transamerica. SDHC has the authority to establish and amend the provisions of the Plan including the contribution requirements with the approval of the Board of Commissioners. The SDHC pension plan is audited by an outside firm, and a copy of the audit report can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, California 92101.

The City does not act in a trustee or agency capacity for the SDHC pension plan; therefore, these assets are not reported within the City's basic financial statements.

**13. OTHER POSTEMPLOYMENT BENEFITS (Dollars in Thousands)**

The City provides postemployment healthcare benefits, also known as other postemployment benefits (OPEB), to qualifying general, safety and elected members through a variety of defined benefit and defined contribution plans. OPEB benefits are established pursuant to the San Diego Municipal Code (SDMC). Plan determination is based on several factors including hire date, termination date and individual employee election as provided for in SDMC Sections 24.1201 through 24.1204 and 29.0101 through 29.0105 (OPEB Plan).

In fiscal year 2012, the City entered into a 15-year memorandum of understanding with employees' collective bargaining units through fiscal year 2027 (Healthcare MOU). Pursuant to the Healthcare MOU, members retiring after April 1, 2012 were required to make an irrevocable election between three retiree healthcare benefit plan options, Options A, B, and C. Options A and B are defined benefit plans and Option C is a defined contribution plan. A significant group of participants elected Option C, substantially reducing the City's OPEB Plan's unfunded actuarially accrued liability in fiscal year 2012. Beginning in fiscal year 2015, the terms of the Healthcare MOU could be renegotiated by either the City or the employees' collective bargaining units, subject to a six-vote approval by the City Council. Any modification of the Healthcare MOU would apply only to active employees and not to retirees or those who have already had the Option C defined contribution plan funded by the City. As of June 30, 2018, the Healthcare MOU has not been renegotiated.

The City's defined benefit plans and the Option C defined contribution plan are closed to employees hired on or after July 1, 2005. For general members hired on or after July 1, 2009, the City established a new defined contribution plan through a trust vehicle (Retiree Medical Trust Plan).

As of the June 30, 2017 actuarial valuation, the following table shows the active and retired employee composition of the defined benefit OPEB Plan:

Inactive Employees or Beneficiaries Currently Receiving Benefits	6,218
Inactive (Terminated) Employees Entitled to but not yet Receiving Benefits	408
Active Employees	<u>542</u>
Total	<u><u>7,168</u></u>

The City has pre-funded future postemployment healthcare benefits for defined benefit plan costs through the California Employers' Retiree Benefit Trust (CERBT), an investment trust administered by the California Public Employees' Retirement System (CalPERS). The CERBT is an agent multiple-employer plan as defined by GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, with pooled administrative and investment functions. The purpose of the trust is to receive contributions from participating employers and establish separate employer prefunding accounts to pay for retiree healthcare benefits in accordance with the terms of the participating employer's plans, including the City's defined benefit plans. Contributions to the CERBT are voluntarily determined by each participating employer, and there are no long-term contracts for contributions to the CERBT. CalPERS issues a publicly available CAFR that includes financial statements and required supplementary information for the CERBT, which can be found online at [www.calpers.ca.gov](http://www.calpers.ca.gov). The City's OPEB Plan does not issue a separate annual financial report.

## DEFINED BENEFIT PLANS

a. Plan Description

Pursuant to the SDMC, SDCERS processes health insurance premium payments and healthcare reimbursement requests pertaining to the City's retiree healthcare defined benefit plans for eligible retirees. This activity and related balances are reported in the SDCERS basic financial statements as an agency fund. Postemployment healthcare benefits for members retiring from City employment are based on their health eligibility status. Members receiving defined retiree healthcare benefits can be categorized into four main groups as described below:

- I. Limited Retiree Health Benefit - Members who retired before October 6, 1980 and are eligible to receive a retirement allowance from SDCERS are entitled to be reimbursed up to \$1,200<sup>1</sup> per year for health insurance costs. The retired members are not reimbursed more than the actual health premium or medical costs he or she incurs. This amount does not increase.
- II. Plan for members who retired between 1980 and 2012 - Members who retired between October 6, 1980 and March 31, 2012 require 10 years of service with the City to receive 50% of the retiree health reimbursement allowance and receive an additional 5% per year of service in excess of 10 years, resulting in a maximum benefit of 100% at 20 years of service. Reimbursement allowances vary based on retirement date and Medicare eligibility. Medicare eligible retirees under this plan are entitled to receive reimbursement of healthcare premiums, ranging from approximately \$8,400<sup>1</sup> to \$13,100<sup>1</sup> per year. Retirees who are not eligible for Medicare are entitled to receive reimbursement of healthcare premiums, ranging from approximately \$8,900<sup>1</sup> to \$13,900<sup>1</sup> per year. Retirees under this plan can obtain health insurance coverage with the plan of their choice, including any City sponsored, union sponsored, or privately secured health plan. Reimbursements for certain retirees under this plan are adjusted annually based upon the projected increase for National Health Expenditures by the Centers for Medicare and Medicaid Services (Annual Inflation). Annual adjustments may not exceed 10% for any plan year. In addition, 100% of Medicare Part B premiums are reimbursed, including income related increases to the standard Part B premium amount. Disabled retirees are eligible for the maximum allowance regardless of years of eligible service credit.
- III. Option A Plan - Members not retired by April 1, 2012 who elected Option A under the Healthcare MOU are paid or reimbursed for health insurance premiums by the City up to \$9,808<sup>1</sup> annually. Option A was available only to those members who had 25 years of service or were eligible to retire as of April 1, 2012. This benefit amount increases 2% per year. Employees under the Option A Plan are required to pay bi-weekly contributions annually totaling \$835<sup>1</sup> for General Members and \$877<sup>1</sup> for Safety Members while active or in DROP status in order to receive retiree medical benefits. Employee contribution amounts do not change and cannot be refunded.
- IV. Option B Plan - Members not retired by April 1, 2012 who elected Option B under the Healthcare MOU are paid or reimbursed for health insurance premiums by the City up to \$5,500<sup>1</sup> annually. The benefit amount for Option B does not change. Option B retirees with 10 years of service receive 50% of the retiree health reimbursement allowance and receive an additional 5% per year of service in excess of 10 years, resulting in a maximum benefit of 100% at 20 years of service. Employees under the Option B Plan are required to pay bi-weekly contributions annually totaling \$417<sup>1</sup> for General Members and \$443<sup>1</sup> for Safety Members while active or in DROP status in order to receive retiree medical benefits. Employee contribution amounts do not change and cannot be refunded.

<sup>1</sup> Reported as whole dollars.

b. Contributions and Reserves

In accordance with SDMC Section 24.1204, postemployment healthcare benefits are to be paid directly by the City from any source available to it other than the Pension Plan. Each year, the City establishes a retiree healthcare employer contribution amount through the annual budgetary process (Annual Employer Contribution), allocating these costs to various City funds based on employee payroll. Member contributions for the Option A and Option B Plans are collected by the City and deposited in the Postemployment Healthcare Benefit Plan trust fund. Member contributions are not refundable and can be used by the City to cover a portion of the City's defined benefit plan costs.

Other than the amounts pre-funded through the CERBT, the City pays for retiree healthcare costs on a pay-as-you-go basis. If the Annual Employer Contribution and employee contributions for the Option A and B Plans do not fully cover the annual costs of the defined benefit plans and Option C Plan, the City withdraws funds from the CERBT to cover the difference.

In fiscal year 2018, the City's Annual Employer Contribution was \$62,225. The following table provides the fiscal year 2018 contribution breakdown by fund:

General Fund	\$	46,166
Nonmajor Governmental Funds		744
Sewer Utility		3,971
Water Utility		4,903
Nonmajor Enterprise Funds		6,441
Total Healthcare MOU Contributions	\$	<u>62,225</u>

Contributions from the various City funds are recorded in the Postemployment Healthcare Benefit Plan trust fund to pay for defined benefit plan costs or in the Employee Benefits agency fund to pay for Option C plan costs (Retiree Medical Trust Plan contributions are funded separately). In fiscal year 2018, employees contributed \$577 for Options A and B.

As of June 30, 2018, the fair value of the City's investments in the CERBT was approximately \$112,763. This balance is net of all plan activity during fiscal year 2018, including net annual investment earnings and administrative expenses amounting to approximately \$7,385 and \$104, respectively.

The following table summarizes the sources used to satisfy fiscal year 2018 pay-as-you-go costs of the defined benefit plans, including a portion of the Annual Employer Contribution, Option A and B contributions from employees and a withdrawal from the CERBT:

Annual Employer Contribution <sup>1</sup>	\$	30,380
Employee Contributions - Options A&B		577
CERBT Withdrawal		10,403
Total Defined Benefit Pay-as-you-go Costs <sup>2</sup>	\$	<u>41,360</u>

<sup>1</sup> The remaining \$31,845 of the total \$62,225 Annual Employer Contribution is used for Option C Plan costs, which is a defined contribution plan.

<sup>2</sup> Includes administrative costs of \$584.



c. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017 and the total OPEB used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward to determine the June 30, 2017 total OPEB liability, based on the following actuarial methods and assumptions:

Description	June 30, 2017
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay
Amortization Method/Period	Closed 20 Year Period
Discount Rate	6.73%
Inflation	2.75%
Salary Increases	3.05%
Healthcare Cost Trend Rates	8.0% pre-65 and 5.3% post-65 initial trend rates for fiscal year 2017. Decreasing 0.5% per year pre-65 and 0.2% per year post-65 until ultimate is reached in fiscal year 2024 pre-65 and fiscal year 2021 post-65.
Mortality	The base mortality rates are based on an experience study performed for SDCERS in June 2011. These rates are projected on a fully generational basis using Scale BB to reflect more recently published information about future mortality improvement.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the City and plan members through June 30, 2017. Additionally, actuarial calculations reflect a long-term perspective and include methods and assumptions that are designed to reduce short-term volatility of actuarial accrued liabilities and the relative value of plan assets. The City has relied on the work of the City's actuary to determine the City's net OPEB Liability, and considers the underlying assumptions used by the actuary to be reasonable.

To determine the OPEB Plan's projected fiduciary net position, the City's actuary has assumed that the City will continue to contribute to the OPEB Plan at the current rates defined in the Healthcare MOU until additional funding for the defined benefits valued in the actuarial report is no longer needed. At this point the projected City contribution will be reduced to the projected contribution required for Option C participants.

d. Long-Term Expected Rate of Return

The valuation uses a discount rate of 6.73% per year, net of investment expenses and including inflation. This is the long-term rate of return assumption on plan assets. This rate is based on the general inflation rate and expected real rate of return required for CalPERS reporting for use by employers who elect certain investment strategies as participants in CERBT. The target allocation and best estimates for long-term expected real rates of return for each major asset class, as of the June 30, 2017 measurement date, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Real Rate of Return
Public Equity	40.0%	5.71%
Fixed Income	39.0%	2.4%
REITs	8.0%	7.88%
TIPS	10.0%	2.25%
Commodities	3.0%	4.95%
Total	100.0%	

Source: CERBT

e. Changes in the Net OPEB Liability

The following table shows the changes in the Net OPEB Liability as of the measurement date of June 30, 2017, based on the actuarial information provided to the City. The OPEB Plan's Fiduciary Net Position (FNP) as a percentage of the Total OPEB Liability is 17.39%.

	Increase/Decrease		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2016	\$ 666,671	\$ 116,590	\$ 550,081
Changes for the Year:			
Service Cost	1,237	—	1,237
Interest	43,617	—	43,617
Differences between Expected and Actual Experience	(4,915)	—	(4,915)
Changes in Assumptions	—	—	—
Contributions - Employer	—	30,326	(30,326)
Contributions - Employee	—	719	(719)
Net Investment Income	—	8,590	(8,590)
Benefit Payments	(40,280)	(40,280)	—
Administrative Expense	—	(59)	59
Net Changes	(341)	(704)	363
Balances at June 30, 2017	\$ 666,330	\$ 115,886	\$ 550,444

The required schedule of changes in the net OPEB liability and related ratios immediately following the notes to the financial statements presents the beginning and ending balances of the total OPEB liability, the plan fiduciary net position available for OPEB benefits, and the net OPEB liability, as well as the itemized changes in those amounts during the fiscal year. The schedule also reports a ratio of plan fiduciary net position as a percentage of the total OPEB liability, the payroll amount for current employees in the plan (covered-employee payroll), and a ratio of the net OPEB liability as a percentage of the covered-employee payroll. One year of information is presented and will build to 10 years of information on a prospective basis.

The required schedule of employer contributions immediately following the notes to the financial statements presents the City's actuarially determined contribution to the OPEB Plan, the City's actual contribution, the difference between the actual and actuarially determined contributions, and a ratio of actual contributions as a percentage of covered-employee payroll.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** - Pursuant to GASB 75, the following table presents the net OPEB liability of the City, calculated using the current discount rate of 6.73% as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.73%)	Current Discount Rate (6.73%)	1% Increase (7.73%)
Net OPEB Liability	\$ 621,715	\$ 550,444	\$ 490,005

**Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate** - Pursuant to GASB 75, the following table presents the net OPEB liability of the City, calculated using the current health care cost trend rate of 8.00% as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (7.00% pre-65 / 4.30% post-65 decreasing to 3.50% pre-65 / post-65)	Current Healthcare Cost Trend Rate (8.00% pre-65 / 5.3% post-65 decreasing to 4.50% pre-65 / post-65)	1% Increase (9.00% pre-65 / 6.30% post-65 decreasing to 5.50% pre-65 / post-65)
Net OPEB Liability	\$ 496,882	\$ 550,444	\$ 607,424

f. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$31,286. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 30,380	\$ —
Net Difference Between Projected and Actual Investment Earnings	—	595
Total	\$ 30,380	\$ 595

Pursuant to GASB 75, \$30,380 reported as deferred outflows of resources related to OPEB contributions made subsequent to the measurement date of June 30, 2017, will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred inflows of resources will be recognized as OPEB expense as follows:

Year Ending June 30	Amount
2019	\$ 149
2020	149
2021	149
2022	148

## DEFINED CONTRIBUTION PLAN

The City provides two defined contribution plans to eligible employees as described below:

- a. Option C Plan - For employees hired prior to July 1, 2005 and who elected to participate in the Option C Plan, the City provides a lump sum distribution, estimated by an actuary to yield approximately \$8,500 (whole dollars) annually during the member's life expectancy after retirement. The distribution is made when the member first becomes eligible to retire, based on age and Service Credit. There is no member contribution to this plan. Retirees with 10 years of service receive 50% of the distribution, with additional City annual contributions each year thereafter until reaching 20 years. Contributions to the Option C Plan are reported in an agency fund, as the City does not administer them and simply passes through contribution amounts to the plan administrators. Option C is administered by various third parties depending on employee classification and/or membership in employee collective bargaining units. Total City contributions for the Option C Plan in fiscal year 2018 were \$31,845.
- b. Retiree Medical Trust Plan - For general members hired on or after July 1, 2009, the City established a trust vehicle for a defined contribution plan, which requires a mandatory employee contribution of 0.25% of gross salary with a corresponding 0.25% match by the City. Contributions to the Retiree Medical Trust Plan are reported in an agency fund, as the City does not administer them and simply passes through contribution amounts to the plan administrators. The Retiree Medical Trust Plan is administered by Voya Financial on behalf of the City. Elected and safety members are ineligible for this plan. The City and employees each contributed \$435 to the Retiree Medical Trust Plan in fiscal year 2018.
- c. Southern California Firefighters Benefit Trust - The City and International Association of Firefighters ("IAFF") Local 145 agreed to amend the Post-Employment Health Benefits MOU for the purpose of adding a City contribution of \$25 per pay period for each active IAFF Local 145 member (except Fire Recruits) to the Southern California Firefighters Benefit Trust ("Firefighters Benefit Trust"), effective July 1, 2016. The Firefighters Benefit Trust is not managed by the City. The City contributed \$591 to the Firefighters Benefit Trust in Fiscal Year 2018.

**14. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Dollars in Thousands)**

Interfund receivable and payable balances are the result of short-term loans between funds that are expected to be repaid during the next fiscal year, as well as amounts due for services provided. The \$27,117 balance is comprised of several items, including: a loan of \$3,418 from the General Fund to the PFFA capital projects fund, in order to fund expenditures related to the PFFA Lease Revenue Bonds until eligible costs are reimbursed from trustee held funds; a loan of \$4,913 from the General Fund to the TOT Fund to cover a cash deficit; and loans made from the General Fund to the Grants Special Revenue Fund and the Capital Grants Fund of \$15,986 and \$2,781, respectively, in order to cover negative cash resulting from deferred inflows of resources (unavailable grant revenue).

Contributing Fund (Receivable)	Benefiting Fund (Payable)
	Nonmajor Governmental
General Fund	\$ 27,117

Interfund Working Capital Advance (WCA) balances are the result of loans between funds (recorded as advances to/from other funds) that are expected to be repaid in excess of one year. The \$733 balance consists of an advance from the General Fund to Civic San Diego, mainly for administrative costs.

Contributing Fund (Receivable)	Benefiting Fund (Payable)
	Nonmajor Governmental
General Fund	\$ 733

Interfund transfers result from the transfer of assets without the expectation of repayment. Transfers are most commonly used to (1) move revenues from the fund in which it is legally required to collect them into the fund which is legally required to expend them, including TOT and TransNet funds collected in said funds but legally spent within the General Fund, (2) utilize unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations, and (3) move tax revenues collected in the special revenue funds to capital projects and debt service funds to pay for the capital projects and debt service needs during the fiscal year. Interfund transfer balances for the year ended June 30, 2018 are as follows:

Contributing Fund	Benefiting Fund						Total
	General Fund	Nonmajor Governmental	Sewer Utility	Water Utility	Nonmajor Enterprise	Internal Service	
General Fund	\$ —	\$ 44,319	\$ 563	\$ 495	\$ 556	\$ 248	\$ 46,181
Nonmajor Governmental	47,231	51,450	—	—	1,215	—	99,896
Sewer Utility	—	24	—	—	—	2,000	2,024
Water Utility	—	14	1,228	—	—	1,000	2,242
Nonmajor Enterprise	—	17	—	—	573	—	590
Internal Service	—	6	—	—	—	—	6
Total	<u>\$ 47,231</u>	<u>\$ 95,830</u>	<u>\$ 1,791</u>	<u>\$ 495</u>	<u>\$ 2,344</u>	<u>\$ 3,248</u>	<u>\$ 150,939</u>

**15. RISK MANAGEMENT (Dollars in Thousands)**

The City is exposed to various risks of loss related to torts, including theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City is self-insured for general liability, workers' compensation and long-term disability (LTD) claims, and also maintains contracts with various insurance companies to manage excessive risks.

The City's Self Insurance Retention (SIR) amount for general liability is \$3,000 per occurrence. Above the SIR, the City has a \$2,000 individual corridor deductible (annual aggregate). The City maintains excess general liability insurance policies in collaboration with a statewide joint powers authority risk pool, the California State Association of Counties-Excess Insurance Authority (CSAC-EIA) for amounts up to \$50,000 per occurrence (inclusive of the \$3,000 self-insured retention for the public liability).

The City is fully self-insured for its workers' compensation and long-term disability (LTD) programs. Workers' compensation activity is reported within the General Fund. All operating funds of the City contribute an amount equal to a specified rate multiplied by the gross salaries of the fund. These payments are treated as operating expenses in the contributing funds and operating revenues in the General Fund. The Long-Term Disability Fund is reported in the Miscellaneous Internal Service Fund. Similarly, all operating departments of the City contribute an amount equal to a specified rate multiplied by the gross salaries of the fund. These payments are treated as operating expenses in the contributing funds and operating revenues in the Miscellaneous Internal Service Fund.

Estimated liabilities for general liability, workers' compensation, and long-term disability as of June 30, 2018 were determined based on the results of independent actuarial valuations and include amounts for claims incurred but not reported. Claims liabilities were calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Non-incremental claims adjustment expenses have been included in the actuarial calculations for general liability. Estimated liabilities for general liability claims have been reported in the government-wide financial statements, Sewer Utility Fund, Water Utility Fund, and the Successor Agency Private-Purpose Trust Fund. Estimated liabilities for workers' compensation claims have been recorded in the government-wide financial statements, the Water Utility Fund, Sewer Utility Fund, Nonmajor Enterprise Funds, and Internal Service Funds. Estimated liabilities for long-term disability claims are recorded in the Miscellaneous Internal Service Fund.

A reconciliation of total liability claims for the City's general liability, workers' compensation, and long-term disability obligations, showing current and prior year activity is presented below:

	General Liability	Workers' Compensation & Long-Term Disability	Total
Balance, July 1, 2016	\$ 198,362	\$ 259,739	\$ 458,101
Claims and Changes in Estimates	39,678	40,766	80,444
Claim Payments	(37,174)	(31,928)	(69,102)
Balance, June 30, 2017	200,866	268,577	469,443
Claims and Changes in Estimates	44,552	41,346	85,898
Claim Payments	(44,336)	(32,445)	(76,781)
Balance, June 30, 2018	<u>\$ 201,082</u>	<u>\$ 277,478</u>	<u>\$ 478,560</u>

The City, in collaboration with CSAC-EIA, maintains an “All Risk” policy, which includes flood coverage for amounts up to \$25,000 per occurrence under the primary policy and with access to additional excess limits. The policy is subject to a \$25 deductible. Additional excess limits are available as part of the City’s insurance property program through CSAC-EIA, where coverage “towers” with designated coverage limits are provided. Coverage towers are groups of properties, which are diversified based on occupancy (risk-pool members) and geographical location. The City participates in four coverage towers with dedicated coverage limits of \$300,000 for “All Risk” and Flood. If tower limits are exhausted, additional coverage may be accessible by any of the towers in the risk-pool. These additional coverage limits are shared by all towers in the risk-pool and may not exceed an aggregate amount of \$300,000 for “All Risk” and Flood, for all claims made by all towers during the coverage period. Limits include coverage for business interruption losses for designated leased properties for various financings. There is no sharing of limits among the City and member counties of the CSAC-EIA pool, unless the City and member counties are mutually subject to losses from the same occurrence. Limits and coverage may be adjusted periodically in response to the requirements of bond financed projects, grant requirements, acquisitions, and in response to changes in the insurance marketplace.

CSAC-EIA’s insurance property program structure of dedicated tower limits also applies to earthquake coverage. The City participates in four coverage towers. Earthquake coverage is provided for designated buildings/structures in the amount of \$100,000 under primary policies per tower. If tower limits are exhausted, additional coverage may be accessible by any of the towers in the risk pool. The additional coverage limits are shared by all towers in the risk-pool and may not exceed an aggregate amount of \$440,000 for all claims made by all towers during the coverage period, including coverage for business interruption caused by earthquake at certain designated locations. Earthquake coverage is subject to a deductible of 2% of total insured values per unit per occurrence, subject to a \$100 minimum. The City’s earthquake coverage is purchased jointly and limits are shared with the member counties in the CSAC-EIA pool. Due to the potential for geographically concentrated earthquake losses, the CSAC-EIA pool is geographically diverse to minimize any potential sharing of coverage in the case of an individual earthquake occurrence. Depending upon the availability and affordability of earthquake insurance, the City may elect not to purchase such coverage in the future, or the City may elect to increase the deductible or reduce the coverage from present levels.

The City is a public agency subject to liability for the dishonest and negligent acts or omissions of its officers and employees acting within the scope of their duty (“employee dishonesty” and “faithful performance”). The City participates in the joint purchase of insurance covering employee dishonesty and faithful performance through the CSAC-EIA pool. Coverage is provided in the amount of \$15,000 per occurrence, subject to a \$25 deductible.

During fiscal year 2018, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements which were covered by insurance have not exceeded the City’s insurance coverage limits. However, some losses may not be covered by insurance and would need to be funded by the City. The City can give no assurance that particular losses will be covered or that coverage providers will be able to pay recorded losses. See Note 18 for additional information.

**16. FUND BALANCE / NET POSITION DEFICITS (Dollars in Thousands)**

The Capital Grants Capital Projects Fund has a fund balance deficit of \$2,209, which represents deferred inflows of resources related to grant revenue which did not meet the City's availability criteria.

The implementation of GASB 68 and GASB 75 resulted in a significant impact to the net position of most proprietary funds. The Development Services Fund has a net position deficit of \$67,973. The Central Stores and Publishing Services Internal Service Funds have net position deficits of \$2,951 and \$1,221, respectively. These deficits are primarily due to the Net Pension Liability (NPL) and Net Other Postemployment Benefits (OPEB) Liability expected to be repaid over the long-term. Generally, the NPL is reduced annually as the City continues to fully pay its ADC for the Pension Plan, which includes amortized payments of the unfunded portion of the accrued liability (see Note 12). Similarly, the City continues to pay the annual defined benefit OPEB allocation per the authorized agreement (see Note 13). The cost recovery rates for these funds are developed to fully fund the respective Pension ADC and OPEB obligation on a yearly basis. As the City continues to fully pay its ADC for the Pension Plan, the net position deficit of these funds will be corrected over the long-term.

The Private-Purpose Trust Fund (Successor Agency) has a net position deficit of \$482,361, which represents unfunded liabilities of the former RDA, primarily related to long-term debt obligations. On an annual basis, the Successor Agency submits funding requests to the County of San Diego, through Recognized Obligation Payment Schedules (ROPS). Funding is then allocated to the Successor Agency from the County's Redevelopment Property Tax Trust Fund (RPTTF) to satisfy obligations of the corresponding twelve month period. As obligations are funded twice annually and liabilities are paid, the net position deficit will continue to decrease. Once all the obligations of the Successor Agency are fully satisfied, the deficit will be eliminated.



**17. COMMITMENTS (Dollars in Thousands)**Encumbrances

The City uses encumbrances to control expenditures for the year which generate contractual and regulatory commitments that will result in expenses/expenditures in future years. Encumbrances represent commitments related to contracts not fully performed and purchase orders not yet filled. It is the City's policy to pay for operating encumbrances remaining at the end of the fiscal year from the following year's appropriations, not from fund balance. Encumbrances related to capital projects are funded through the current year appropriated budget, which carries over to the following fiscal year. Operating and capital contractual commitments for which funds have been encumbered as of June 30, 2018 are reflected in the table below.

General Fund	\$ 29,866
Nonmajor Governmental Funds	261,773
Sewer Utility	90,410
Water Utility	201,882
Nonmajor Enterprise Funds	67,534
Total Contractual Commitments	<u>\$ 651,465</u>

California Regional Water Quality Control Board Administrative Proceeding - Municipal Storm Water Permit

The State Water Resources Control Board (SWRCB) is the State agency charged with implementing the federal Clean Water Act (Clean Water Act). The SWRCB delegates its authority to nine regional boards, who implement the Clean Water Act and the California Water Code in their respective regions. The Regional Water Quality Control Board San Diego Region (RWQCB) has jurisdiction over the San Diego area. The RWQCB issues the Municipal Storm Water National Pollutant Discharge Elimination System Permit (Municipal Permit) as required by the Clean Water Act. Under the Municipal Permit, the City must comply with water quality requirements established by the RWQCB by maintaining and operating storm drain systems, eliminating dry weather flows and reducing pollutants in storm water runoff. The RWQCB has established specific numeric limitations on the maximum amount of pollutants that can be received by some of the City's six watersheds. The RWQCB periodically conducts water quality tests to determine if the receiving waters are meeting water quality requirements.

The Municipal Permit also requires the City to develop Water Quality Improvement Plans (Improvement Plans) to identify and address the highest priority water quality problems, including all of the City's existing storm water quality regulatory deadlines between fiscal year 2012 and fiscal year 2035 for each of the six watersheds within the City's jurisdiction. These Improvement Plans were reviewed and accepted by the RWQCB in March 2016. In November 2018, the City updated its estimate for implementation costs for the period between fiscal years 2019-2035 as follows:

Operating Cost Estimate	\$ 1,249,265
Capital Cost Estimate	1,879,160
Total	<u>\$ 3,128,425</u>

These estimates could be higher or lower depending on numerous factors, including but not limited to: changes in regulatory standards; science and technology advancements; and new impairments that could be identified by the RWQCB as future water quality tests are conducted. In June 2017, the RWQCB adopted Order No. R9-2017-0077 which directs Municipal Permit holders to control trash discharges to water bodies (State Trash Policy). The State Trash Policy will be included in the next Municipal Permit reissuance, which is anticipated to be adopted in fiscal year 2020. The estimated funding needed to comply ranges from a combined total of

\$12,000 to \$17,000 over 10 years beginning in fiscal year 2020. Most of these compliance activities represent pollution prevention or control obligations with respect to current storm water operations and are not subject to accrual in the basic financial statements.

The City Storm Water Division's estimated costs to implement the Improvement Plans are higher compared to current spending levels and projected budget allocations. Estimated operating expenses budgeted for fiscal year 2019 are approximately \$52,100. The estimated allocated Capital Improvement Program budget for fiscal year 2019 is approximately \$39,424, which is funded primarily with General Fund revenues, TransNet, development impact fees, and debt financing proceeds. The City's storm water fees of 95 cents per month per residence generated approximately \$5,809 in fiscal year 2018 and cover only a small portion of the City's annual storm water expenses.

The City is employing a multi-faceted strategy to comply with Municipal Permit requirements and reduce estimated costs to implement the Improvement Plans. First, the City is continuing to work collaboratively with the RWQCB to evaluate, and where justified with scientific data, amend regulations to reduce or eliminate certain program elements that are not needed to meet water quality targets. The City is also evaluating the possibility of extending compliance schedules to reduce annual funding needs through the U.S. Environmental Protection Agency's (USEPA) Integrated Planning Framework (IPF) program. Extending the compliance schedules may likely increase the costs of implementing the Improvement Plans. The IPF program provides a framework for municipalities to extend compliance schedules and focus on the highest priority water quality issues when Clean Water Act funding need obligations exceed specified ratepayer affordability thresholds. The RWQCB retains discretion whether to allow municipalities to utilize the IPF program, therefore the City is actively seeking RWQCB approval to incorporate the IPF program into the next five-year Municipal Permit issuance expected to be adopted during summer 2019. Subsequent to adoption of the Municipal Permit, the City must develop, submit, and obtain RWQCB approval of an Integrated Plan before any compliance schedules can be extended. Second, the City is pursuing a combination of alternative funding and financing strategies, such as grants and State Revolving Fund loans. Third, the City continues to implement pilot studies, such as studies of street sweeping, storm drain cleaning and business inspection programs, to identify cost-saving improvements to operations. Absent an increase in storm water fees or other new funding sources discussed above, the unfunded or increased compliance funding needs would continue to be paid from the General Fund.

The Municipal Permit imposes numerous obligations and requirements on the City, including requirements to ensure that the City's various waterbodies, and the storm drains discharging into them, do not contain pollutants in excess of USEPA and State-mandated numeric limits. These numeric limits, referred to as "receiving water limitations" are enforced without regard to fault, and the City can be held liable if samples collected in waterbodies downstream of any City storm drain outfalls exhibit exceedances of these receiving water limitations. Both the RWQCB and citizen stakeholders can file enforcement actions and lawsuits for violations of the receiving water limitations, with penalties for state lawsuits not to exceed \$10 per violation, per day, and penalties for federal lawsuits not to exceed \$54 per violation per day. Additionally, the Municipal Permit contains several regulatory deadlines through fiscal year 2035. The City has met or is projected to meet the first three regulatory deadlines, but is currently not projected to meet certain regulatory deadlines related to the Bacteria Total Maximum Daily Load (TMDL) in fiscal year 2021 due to insufficient funding and the time requirements to implement capital projects. Additionally, the City will not be able to meet interim deadlines for the Chollas Creek TMDL while the SWRCB and USEPA reviews revisions to critical calculations related to compliance. These revisions were approved by the RWQCB in February 2017, however they must also be approved by the SWRCB, the California Office of Administrative Law (CAOAL), and the USEPA before they can be fully adopted. It is anticipated that the SWRCB will adopt these revisions by April 2019, after which they will be routed to the CAOAL to confirm that all public noticing requirements were met, and lastly to the USEPA for final approval (anticipated July 2019). The City is projected to meet the Chollas Creek TMDL interim compliance deadlines given these revisions, however the City will be exposed to litigation from third parties during the time period between the first deadline (October 22, 2018) and final approval of the revisions (anticipated March 2019). As discussed above, the City is currently pursuing a multi-faceted strategy to meet these regulatory deadlines that includes seeking regulatory adjustments, pursuing alternative funding sources, and reducing funding needs through program improvements. If the City does not meet these required storm water regulations by the compliance deadlines, it is possible that the RWQCB could levy fines and penalties on the City of \$10 per day per violation and the USEPA could levy penalties of up to \$52 per day per violation. Each storm drain outfall that flows to a receiving water body may be assessed as a

separate violation and therefore there could be more than one violation on any particular day. Additionally, should the City fall out of compliance, it could be exposed to litigation from third parties.

#### California Department of Public Health Compliance Order

In 1997, the State of California Department of Public Health (DDW) issued a Compliance Order requiring the City to correct operational deficiencies and begin necessary capital improvements related to the City's water system. The Compliance Order was last amended in May of 2007 and included additional items that were not in the original Compliance Order. As amended, the Compliance Order will remain in effect until the projects and pipeline replacement requirements are completed.

The Public Utility Department expects to award the remaining water system projects by calendar year 2021, which will fulfill the final requirements of the Compliance Order. For fiscal years 2019 through 2021, the City estimates Compliance Order project costs to total approximately \$56,900. The Public Utilities Department expects to fund these commitments through a combination of existing net position, present and future system revenues, and financing proceeds secured by system revenues.

#### Agreement Relative to Modified Permit for the Point Loma Wastewater Treatment

In June 2010, the City received a renewal of the Modified Permit for the Point Loma Wastewater Treatment Plant (Pt. Loma) and agreed to identify opportunities to maximize recycling wastewater for potable and non-potable uses. That permit expired in July 2015 and was administratively continued while the regulatory agencies completed work on the renewal application. In August 2017, the USEPA, in conjunction with the RWQCB, issued the final approval renewing the Modified Permit and the waiver from secondary treatment standards for another 5 years. The permit term took effect October 1, 2017 and expires on September 30, 2022.

The Modified Permit renewal was based on the compliance with the Clean Water Act requirements, progress of the Pure Water San Diego Program (Program), and a reduction in permitted emissions from the previous permit level. The Program is designed to reduce discharge into the ocean from Pt. Loma while providing a new local source of potable water for the City. The renewal recognized the value of the Program in the early phases of implementation, and it is anticipated that Program continuance can be reflected in future permits. The first phase of the Program is estimated to cost approximately \$1,477,000 of which, approximately \$612,000 will be allocated to the Sewer Utility Fund, and approximately \$865,000 will be allocated to the Water Utility Fund. The first phase of the Program is anticipated to be operational by early calendar year 2024.

**18. CONTINGENCIES (Dollars in Thousands)****FEDERAL AND STATE GRANTS**

The City recognizes as revenue grant monies received as reimbursement for costs incurred related to certain Federal and State programs it administers. Although the City's Federal grant programs are audited in accordance with the requirements of the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and the related U.S. Office of Management and Budget Circular A-133 and 2 CFR 200 Uniform Guidance as applicable based on the date of the award, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Single Audit for fiscal year 2018 is in process.

**LITIGATION AND REGULATORY ACTIONS**

The City is a defendant in lawsuits pertaining to material matters, including claims asserted, which are incidental to performing routine governmental and other functions. This litigation includes, but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts; alleged breaches of contracts; alleged violations of law; and condemnation proceedings. The City received 2,121 notices of claims in fiscal year 2018.

As of June 30, 2018, the City estimates the amount of tort and non-tort liabilities to be \$201,082, which has been reported in the government-wide statement of net position, the proprietary funds financial statements, and the fiduciary funds financial statements. The liability was actuarially determined and was supplemented by information provided by the City Attorney with respect to certain large individual claims and proceedings. The liability recorded is the City's best estimate based on information available as of the issuance of this report. The City Attorney also estimates that in the event of an adverse ruling, certain pending lawsuits and claims have a reasonable possibility of resulting in an additional liability, in the aggregate, ranging from \$0 to \$213,382. However, the potential liabilities related to these claims are not individually accrued because it is not probable that a loss has been incurred as of June 30, 2018.

Additional information on litigation regarding the Pension Plan can be found in the introductory section of Note 12.

**POLLUTION REMEDIATION OBLIGATIONS**

A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in remediation activities. The following items are contingent matters concerning the City. More information regarding Commitments of the City may be found in the preceding Note 17.

Los Peñasquitos Lagoon Sedimentation Total Maximum Daily Load (TMDL)

The City is a listed responsible party regarding the sedimentation of Los Peñasquitos Lagoon. This TMDL was adopted by the State of California in July 2014. The TMDL included requirements for sediment reductions in the Los Peñasquitos Watershed and the establishment of 84 acres of new salt marsh habitat in the Los Peñasquitos Lagoon by July 2034. The habitat restoration requirements associated with the establishment of 84 acres of salt marsh habitat represent pollution remediation obligations; however any estimated costs cannot be reasonably determined at this time pending the development of the final concept design for the restoration of Los Peñasquitos Lagoon.

Chollas Creek Mouth Sediment Investigative Order

On October 26, 2015, the Regional Water Quality Control Board (RWQCB) released the Chollas Creek Mouth Sediment Investigative Order (SIO) R9-2015-0058. The order names the City as one of the responsible parties to determine if sediment contamination at the

mouth of Chollas Creek in San Diego Bay and potential sediment contamination of the tidal prism of Chollas Creek has occurred. The responsible parties submitted a Phase I monitoring work plan to the Regional Board to evaluate the current nature and extent of impairment related to contaminated sediments in the mouth of Chollas Creek and the Chollas Creek tidally influenced area. Source identification studies of any potential sediment contamination within the investigation area were conducted. The Order required the development of the Phase 2 work plan, which was submitted on August 30, 2017, and monitoring was performed to identify the sources of impairment found during Phase 1. The final monitoring report was submitted to the RWQCB on March 15, 2018, and their final determination is pending as of this report date. Costs of remediation cannot be estimated until the RWQCB determines if there are problems, and if so, the cleanup levels will be negotiated with and ultimately imposed by the RWQCB. In addition, the responsible parties will then need to negotiate the allocation of clean up responsibilities.

#### Boat Channel at Naval Training Center (NTC)

The old Naval Training Center (NTC) was closed and, with the exception of the Boat Channel, the property was conveyed to the City under the Base Realignment and Closure (BRAC) process that culminated in a Memorandum of Agreement (MOA) between the City and the U.S. government (Navy) in 2000. NTC was redeveloped as Liberty Station by the Corky McMillin Companies. The transfer of the NTC Boat Channel was excluded from the conveyance because it was polluted. The MOA requires the Navy to remediate the Boat Channel and obtain appropriate regulatory site closure prior to conveyance. The Navy has completed a limited clean-up of the Boat Channel. It is in the process of finalizing reports and seeking RWQCB approval of the clean-up. The City believes the clean-up is deficient for a number of reasons including (i) that the original site investigation and characterization were inadequate, (ii) the remediation did not address the entirety of the Boat Channel property, and (iii) the remediation did not clean up the Boat Channel to current regulatory standards. The City has repeatedly made these objections known to the Navy and the RWQCB. The Navy claims the City is partly responsible for discharges which polluted the channel and therefore is responsible to pay a portion of the remediation costs. The City denies the Navy's claim for a number of reasons, including the terms of the MOA and the fact that military facilities (both NTC and the Marine Corps Recruit Depot) surrounded the channel for decades, and most if not all pollutant discharges were Navy-originated. The City cannot estimate its apportioned responsibility for such remediation costs, if any, at this time.

#### San Diego Bay's Laurel Hawthorne Central and East Embayment Draft Sediment Investigative Orders R9-2018-033,34,35

On July 25, 2018, the RWQCB released three draft Investigative Orders (IOs) for the assessment of the Laurel Hawthorne Embayment (LHE). The City was named on one of the three IOs as a responsible party to determine the extent and magnitude of sediment contamination in LHE at the terminus of the City's 84-inch outfall. It is anticipated the final IO will be issued in the winter of 2019 requiring the development of a draft work plan for both land and water investigations is due within 180 days of final IO issuance. Costs of the remediation cannot be estimated until the investigations are completed to determine if there are problems, and if so, the cleanup levels will be negotiated with and ultimately imposed by the RWQCB. In addition, the responsible parties will then need to negotiate the allocation of clean up responsibilities.

#### San Diego Bay Adjacent to Tenth Avenue Marine Terminal Draft Sediment Investigative Order R9-2017-0081 and San Diego Bay Adjacent to Continental Maritime Draft Sediment Investigative Order R9-2017-0082

On August 4, 2017, the RWQCB issued the final IO requiring the responsible parties to submit a Sediment Chemistry Assessment Work Plan in 180 days evaluating the current nature and extent of impairment. On January 31, 2018, the responsible parties submitted the work plans for both land and water that were accepted by the RWQCB. The waterside monitoring occurred in July 2018, and the landside monitoring occurred in the Fall of 2018 and will occur in the Spring of 2019. The monitoring reports are due to the RWQCB within 180 days after the date of the last scheduled work plan activity. Costs of remediation cannot be estimated until the investigations are completed to determine if there are problems, and if so, the cleanup levels will be negotiated with and ultimately imposed by the RWQCB. In addition, the responsible parties will then need to negotiate the allocation of clean up responsibilities.

San Diego River Draft Investigative Order, R9-2018-0021

On May 21, 2018, the RWQCB released the draft IO R9-2018-0021 that named the City as one of ten responsible parties to identify and quantify the relative contributions of human fecal material in discharges to the San Diego River, how it is transported, and improvements to implementation procedures. Costs to improve water quality cannot be estimated until the investigation is completed to determine if there are problems, and if so, the cleanup efforts will be negotiated with and ultimately imposed by the RWQCB.

**19. DEBT WITHOUT GOVERNMENT COMMITMENT (Dollars in Thousands)**

The City and/or the former RDA of the City have authorized the issuance of certain Special Assessment/Special Tax Bonds, Parking Revenue Bonds, Tax Allocation Bonds, and Loans. The City has no legal obligation to make payment on these bonds or loans and has not pledged any City assets as a guarantee to the bondholders/lenders. These bonds and loans do not constitute indebtedness of the City. The bonds are payable solely from payments made on and secured by a pledge of the acquired funds, other monies held for the benefit of the bondholders pursuant to the bond indentures, property liens and other loans. Accordingly, no liability has been recorded in the City's government-wide statement of net position. Long-term liabilities of the former RDA are reported in the Successor Agency Private-Purpose Trust Fund. The following sections describe the outstanding debt without government commitment.

**a. Special Assessment/Special Tax Bonds**

The City, on behalf of the Special Assessment Districts (AD) and the Community Facilities Districts (CFD), have issued debt to finance infrastructure improvements and facilities necessary to facilitate development of the properties within the respective districts located in the City. The special assessment and special tax bonds are secured by special assessment and special tax liens, respectively, on the real property within the districts and are not direct liabilities of the City. The City has no fiscal obligation beyond the balances in designated AD and CFD funds for any related bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. The City acts solely as the agent in the collection and remittance of the assessments and special taxes for these ADs and CFDs and initiates foreclosure proceedings as required under the bond covenants. As of June 30, 2018, the status of each of the special assessment/special tax bonds issued is as follows:

	Original Amount	Balance Outstanding June 30, 2018
Community Facilities District No.2 (Santaluz), Improvement Area No. 1, Series 2011 A	\$ 51,680	\$ 37,915
Community Facilities District No.1 (Miramar Ranch North), Series 2012	24,795	10,160
Community Facilities District No.3 (Liberty Station), Series 2013	15,770	13,820
Assessment District No.4096 (Piper Ranch), Issued July 2013	3,830	3,295
Community Facilities District No.2 (Santaluz), Improvement Area No. 3, Series 2015	3,380	3,015
Community Facilities District No.2 (Santaluz), Improvement Area No. 4, Series 2015	6,215	5,740
Community Facilities District No.4 (Black Mountain Ranch Villages), Series 2016	16,435	15,790
Total Special Assessment / Special Tax Bonds	<u>\$ 122,105</u>	<u>\$ 89,735</u>

**b. Parking Revenue and Tax Allocation Bonds**

The former RDA issued parking revenue bonds for the purpose of financing certain public parking facilities and tax allocation bonds in order to finance or refinance redevelopment activities. The parking revenue and tax allocation bonds are secured by certain pledged revenues of the former RDA and are not direct liabilities of the City. In no event will the bonds be payable out of any funds or properties other than those of the Successor Agency or former RDA, along with any monies held by the Trustee in the funds and accounts established under the Indentures, and any amounts, including proceeds of the sale of the bonds, held in any fund or account established pursuant to the Indentures.

As of June 30, 2018, the status of each of the parking revenue and tax allocation bonds issued is as follows:

	Original Amount	Balance Outstanding June 30, 2018
Revenue Bonds:		
Centre City Parking, Series 1999 A	\$ 12,105	\$ 5,275
Centre City Parking, Series 2003 B	20,515	6,100
Total Revenue Bonds	<u>32,620</u>	<u>11,375</u>
Tax Allocation Bonds:		
Centre City Redevelopment Project, Series 2001 A	58,425	11,181
Successor Agency Redevelopment Refunding, Series 2016 A	145,080	133,740
Successor Agency Redevelopment Refunding, Series 2016 B	30,105	27,445
Successor Agency Redevelopment Refunding, Series 2017 A	64,565	64,565
Successor Agency Redevelopment Refunding, Series 2017 B	155,400	155,400
Total Tax Allocation Bonds	<u>453,575</u>	<u>392,331</u>
Total Bonds	<u>\$ 486,195</u>	<u>\$ 403,706</u>
Accreted Interest Payable on Tax Allocation Bonds:		
Centre City Redevelopment Project, Series 2001 A		<u>\$ 16,221</u>

c. Loans Payable

The former RDA issued loans for the purpose of financing redevelopment activities. The loans are secured by certain pledged revenues of the former RDA. Senate Bill 107 Local Government Section 34173 (h)(1) states "Repayment of loans created under this subdivision shall be applied first to principal, and second interest, and shall be subordinate to other approved enforceable obligations. As of June 30, 2018, the remaining balance of \$10,696 of which \$3,689 was for interest was fully paid off on the Naval Training Center Loan. Additional principal payment of \$9,156 was paid towards the Naval Training Center Section 108 Loan and \$10,000 towards Miscellaneous Loans.

	Original Amount	Balance Outstanding June 30, 2018
Loans Payable:		
City of San Diego - Naval Training Center Section 108, Dated June 2004	\$ 5,910	\$ 1,608
City of San Diego - HUD Settlement Agreement, Various Dates	45,311	10,768
City of San Diego - Miscellaneous, Various Dates	45,761	27,261
City of San Diego - Naval Training Center, Dated April 2002	8,300	—
Total Loans Payable	<u>\$ 105,282</u>	<u>\$ 39,637</u>
Accrued Interest Payable:		
City San Diego - Naval Training Center Section 108	\$ 1,899	\$ 1,899
City San Diego - HUD Settlement Agreement	33,476	33,204
City of San Diego - Miscellaneous	105,733	105,733
City of San Diego - Naval Training Center	3,689	—
Total Accrued Interest Payable	<u>\$ 144,797</u>	<u>\$ 140,836</u>



d. Amortization Requirements

The annual requirements to amortize the private-purpose trust fund long-term debt outstanding as of June 30, 2018, including interest payments to maturity, are as follows:

Year Ending June 30	Loans Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 21,271	\$ 16,801	\$ 1,545	\$ 614
2020	—	—	1,635	524
2021	—	—	1,640	431
2022	—	—	1,730	336
2023	—	—	1,005	256
2024-2028	—	—	3,820	392
2029-2033	—	—	—	—
Unscheduled <sup>1</sup>	18,366	124,035	—	—
Total	<u>\$ 39,637</u>	<u>\$ 140,836</u>	<u>\$ 11,375</u>	<u>\$ 2,553</u>

Year Ending June 30	Tax Allocation Bonds		
	Principal	Unaccrued Appreciation <sup>2</sup>	Interest
2019	\$ 28,562	\$ 918	\$ 15,040
2020	29,576	2,159	14,215
2021	28,078	2,297	13,262
2022	24,017	2,443	12,300
2023	22,084	2,576	11,386
2024-2028	114,964	13,716	42,494
2029-2033	73,175	—	22,906
2034-2038	42,180	—	10,777
2039-2043	29,695	—	1,892
Total	<u>392,331</u>	<u>24,109</u>	<u>144,272</u>
Add: Accrued Appreciation through June 30, 2018	16,221	—	—
Total	<u>\$ 408,552</u>	<u>\$ 24,109</u>	<u>\$ 144,272</u>

<sup>1</sup> The loans payable to the City in the amount of \$18,366 and the associated accrued interest of \$124,035 are payable dependent on each annual approved Recognized Obligation Payment Schedules.

<sup>2</sup> Unaccrued Appreciation represents the amount to be accreted in future years regardless of the timing of cash flows.

e. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the private-purpose trust fund for the year ended June 30, 2018. The effects of bond accretion, bond premiums and discounts are reflected as adjustments to long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance
Liability Claims	\$ 68,907	\$ —	\$ (610)	\$ 68,297
Loans Payable	66,303	—	(26,666)	39,637
Revenue Bonds	12,840	—	(1,465)	11,375
Unamortized Bond Premiums and Discounts	(47)	—	5	(42)
Net Revenue Bonds	12,793	—	(1,460)	11,333
Tax Allocation Bonds	407,007	—	(14,676)	392,331
Interest Accretion	15,614	1,456	(849)	16,221
Balance with Accretion	422,621	1,456	(15,525)	408,552
Unamortized Bond Premiums and Discounts	29,420	175	(2,015)	27,580
Net Tax Allocation Bonds	452,041	1,631	(17,540)	436,132
Interest Accrued on City Loans	144,525	—	(3,689)	140,836
Total	\$ 744,569	\$ 1,631	\$ (49,965)	\$ 696,235

f. Defeased Debt

On September 1, 2017, the Centre City Series 2008A bonds were redeemed and on October 1, 2017, the PFFA Series 2007A&B bonds were redeemed. As of June 30, 2018, the principal amounts payable from escrow funds established for refunding bonds are as follows:

Successor Agency Bonds Refunded in 2017 Escrow Accounts (February 9, 2017)	Amount	Redemption Date
North Park Redevelopment Project Subordinate Tax Allocation Bonds, 2009 Series A	\$ 13,930	November 1, 2019
City Heights Redevelopment Project Tax Allocation Bonds, 2010 Series A (Tax Exempt)	5,635	September 1, 2020
City Heights Redevelopment Project Tax Allocation Bonds, 2010 Series B (Taxable)	9,590	September 1, 2020
Crossroads Redevelopment Project Tax Allocation Bonds, 2010 Series B (Taxable)	4,540	September 1, 2020
Naval Training Center Redevelopment Project Tax Allocation Bonds, 2010 Series A	17,280	September 1, 2020
San Ysidro Redevelopment Project Tax Allocation Bonds, 2010 Series A (Tax Exempt)	2,900	September 1, 2020
San Ysidro Redevelopment Project Tax Allocation Bonds, 2010 Series B (Taxable)	4,275	September 1, 2020
Housing Set-Aside Tax Allocation Bonds, 2010 Series A (Taxable)	55,930	September 1, 2020
Total Tax Allocation Financing Bonds	\$ 114,080	

**20. CLOSURE AND POSTCLOSURE CARE COST (Dollars in Thousands)**

State and federal laws and regulations require that the City place a final cover on its Miramar Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. In addition, federal and state regulations require that the City set aside funds annually to fund closure costs and to demonstrate financial resources sufficient to meet certain corrective actions.

Closure and Postclosure Care Liability

The City is currently permitted by the State to keep the landfill open through fiscal year 2025. However, based on recent changes in recycling policies and compaction methods, the City projects the life expectancy of the landfill will be extended through 2030. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each financial statement date.

The \$53,003 reported as landfill closure and postclosure care liability as of June 30, 2018 represents the cumulative amount reported to date based on the use of 87% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$7,693 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care as of June 30, 2018. These cost estimates are subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

Funding Requirements

As of June 30, 2018, the City is in compliance with state and federal laws and regulations requiring annual contributions to finance closure costs. At the end of fiscal year 2018, cash or equity in pooled cash and investments of \$30,668 was held for this purpose. The closure/postclosure care liability amount of \$53,003 reported in the Environmental Services Enterprise Fund includes \$26,719 for closure costs. The amount by which the restricted cash exceeds the closure liability, or \$3,949, is included as a component of restricted net position in the Environmental Services Enterprise Fund. The City has pledged its greenery recycling revenues as financial assurance for postclosure maintenance costs and is not required to advance fund postclosure care costs.

As of June 30, 2018, the City is in compliance with state and federal laws and regulations to demonstrate financial resources sufficient to conduct corrective action for all known or reasonably foreseeable releases from the Miramar Landfill site, meeting the cost estimate approved by the San Diego Regional Water Quality Control Board. At the end of fiscal year 2018, cash or equity in pooled cash and investments of \$1,606 was held for this purpose. This amount is reported as restricted net position in the Environmental Services Fund.

For both closure/postclosure care and corrective action, the City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional closure/postclosure care requirements are imposed (due to changes in technology or applicable laws or regulations, for example), these costs may need to be paid by charges to future landfill users or from other sources. At the end of fiscal year 2018, accrued interest of \$143 is included as a component of restricted net position in the Environmental Services Fund.

**21. OPERATING AGREEMENTS (Dollars in Thousands)**City of San Diego and Padres L.P.

On February 1, 2000, the City entered into a Joint Use and Management Agreement (Agreement) with the San Diego Padres baseball team (Padres) governing the rights and duties of the City and Padres with respect to the use and operation of the Petco Park Ballpark Facility (Facility). The Padres own 30% and the City owns 70% of the Facility, which is shown as a capital asset on the City's statement of net position. The occupancy agreement expires on December 14, 2033 and includes the right of the Padres to exercise two five-year extensions. Upon expiration, the Padres' ownership interest will automatically transfer to the City. Under the terms of the Agreement, the Padres are responsible for Facility operation and management, including maintenance, repairs and security required to preserve its condition. The City is responsible for paying certain expenses associated with the operation and maintenance of the Facility, subject to certain inflationary adjustments. In fiscal year 2018, the City paid approximately \$4,589 related to the operation and maintenance of the Facility.



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**22. FUND BALANCES (Dollars in Thousands)**

The following table provides additional detail regarding the City's governmental fund balances:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>NONSPENDABLE</b>			
Legally/Contractually Required to be Maintained Intact	\$ —	\$ 17,836	\$ 17,836
Not in Spendable Form	863	206	1,069
Total Nonspendable	<u>863</u>	<u>18,042</u>	<u>18,905</u>
<b>RESTRICTED</b>			
Low and Moderate Income Housing	—	338,825	338,825
Facilities Benefit Assessments	—	267,244	267,244
Grants <sup>1</sup>	243	179,469	179,712
Underground Surcharge	—	174,094	174,094
Impact Fees	—	147,939	147,939
Capital Outlay - Unbudgeted <sup>1</sup>	—	116,897	116,897
Emergency Reserve	96,700	—	96,700
Capital Outlay - Budgeted	—	84,609	84,609
Developer Contributions	—	37,521	37,521
Tobacco Settlement Revenue Funding Corporation	—	35,700	35,700
Parking Meter Districts	—	34,757	34,757
Tourism Marketing Districts	—	34,328	34,328
Maintenance Assessment Districts	—	22,726	22,726
TransNet	—	21,960	21,960
Special Gas Tax Street Improvement	12,057	—	12,057
Environmental Growth	9,392	—	9,392
Traffic Congestion Relief (Prop 42)	—	6,964	6,964
Fiesta Island Sludge Mitigation	—	6,824	6,824
Civic San Diego	—	5,723	5,723
Jane Camerson Estate	—	5,721	5,721
Library Donations	—	5,637	5,637
Infrastructure Fund (Prop H)	5,351	—	5,351
Parks & Recreation Districts	—	4,417	4,417
Citizens Option for Public Safety (COPS)	—	4,403	4,403
Public Facilities Financing Authority	—	4,260	4,260
6th & K Operating Fund	—	3,854	3,854
Section 108	—	3,512	3,512
Road Maintenance & Rehabilitation	3,248	—	3,248
Library Improvement	3,185	—	3,185
Miscellaneous Donations	—	2,606	2,606
Los Penasquitos Trust	—	2,342	2,342
Successor Agency Property Management	—	2,219	2,219
Seized Assets	—	2,128	2,128
Downtown PBID	—	1,880	1,880
Animal Shelter Campaign	—	1,672	1,672
Public Safety Training	—	1,660	1,660
Mt. Hope Pre-Need Trust	—	1,457	1,457
Tierrasanta Ordinance	—	1,335	1,335
San Diego Regional Revolving Loan Fund	—	1,246	1,246
Disability Surcharge (SB1186)	—	1,145	1,145
Abandoned Vehicle Abatement (AVA)	—	1,087	1,087
Other <sup>2</sup>	2,131	14,418	16,549
Total Restricted	<u>132,307</u>	<u>1,582,579</u>	<u>1,714,886</u>

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>COMMITTED</b>			
Public Liability	\$ 52,639	\$ —	\$ 52,639
Capital Outlay - Unbudgeted	—	45,772	45,772
Workers' Compensation	40,051	—	40,051
SDCCU Stadium Operations	—	9,499	9,499
Trench Cut Fees	—	8,330	8,330
Civil Penalty Enforcement	—	6,569	6,569
Transient Occupancy Tax	—	6,130	6,130
City TV	—	5,548	5,548
Public Art	—	3,572	3,572
SAP Support	2,595	—	2,595
Low-Income Housing Lease Revenue	—	2,366	2,366
Economic & Workforce Development	—	2,160	2,160
Information Technology	1,611	—	1,611
Automated Refuse Containers	—	1,381	1,381
Retirement UAAL SDCERS Reserve	1,212	—	1,212
Other <sup>2</sup>	2,375	6,584	8,959
Total Committed	<u>100,483</u>	<u>97,911</u>	<u>198,394</u>
<b>ASSIGNED</b>			
Budgeted Fund Balance	<u>24,717</u>	<u>—</u>	<u>24,717</u>
<b>UNASSIGNED</b>	<u>95,434</u>	<u>(43,514)</u>	<u>51,920</u>
<b>TOTAL FUND BALANCE</b>	<u>\$ 353,804</u>	<u>\$ 1,655,018</u>	<u>\$ 2,008,822</u>

<sup>1</sup> Restricted Fund Balance for Grants and Capital Outlay-Unbudgeted includes \$176,965 and \$30,380 respectively, for long-term receivables due from the Successor Agency. These amounts are not available to satisfy liabilities of the current period.

<sup>2</sup> The amounts reported as "Other" are composed of a variety of restrictions and commitments less than \$1,000.

**23. RESTATEMENTS OF NET POSITION (Dollars in Thousands)**Implementation of GASB Statement No. 75

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which applies to state and local government employers who provide OPEB to employees. The accounting changes adopted to conform to the provisions of this statement were applied retroactively by restating the City's beginning net position for its Governmental Activities, Business-Type Activities, and Proprietary Funds. The restatements include the reversal of the Net OPEB Obligation under the former GASB standard, and establishing the Net OPEB Liability and prior year contribution reclassification pursuant to GASB 75. The restatement resulted in a net decrease to beginning net position of \$188,417 for Governmental Activities, \$54,483 for Business-Type Activities, and \$63,801 for Proprietary Funds. See Note 13 for more information regarding the City's OPEB Plan.

The tables below summarize the net position restatements:

	Primary Government		Proprietary Funds			
	Governmental Activities	Business-Type Activities	Sewer Utility	Water Utility	Other Enterprise	Internal Service
Net Position as of June 30, 2017, as Previously Reported	\$ 4,368,781	\$ 4,547,664	\$ 2,461,738	\$ 1,985,699	\$ 98,745	\$ 170,744
GASB Statement No. 75 Adjustments:						
To reverse Net OPEB Obligation	215,076	61,778	21,828	21,309	18,641	10,150
To establish Net OPEB Liability	(427,197)	(122,884)	(43,689)	(42,310)	(36,885)	(20,366)
To reclassify FY2017 OPEB Contributions to Deferred Outflows of Resources	23,704	6,623	2,051	2,365	2,207	898
Net Position as of June 30, 2017, as Restated	\$ 4,180,364	\$ 4,493,181	\$ 2,441,928	\$ 1,967,063	\$ 82,708	\$ 161,426



**24. SUBSEQUENT EVENTS (Dollars in Thousands)**

The following information describes certain events that occurred after the end of the fiscal year.

Loan Agreements

On August 30, 2018, the City's Sewer Utility Fund received an additional \$960 from a \$12,000 State Revolving Fund (SRF) Loan agreement with the California State Water Resources Control Board (SWRCB) for the MBC Centrifuge Project. Amendment No. 4 executed on August 20, 2018 revised the loan from \$12,425 to \$12,000 and extended the completion of construction to February 28, 2019. The interest rate on the loan is 1.7% and the repayment period for the loan is 20 years, beginning one year after completion of construction on the project, which is currently projected for February 2020.

On September 5, 2018, the City's Water Utility Fund received an additional disbursement of \$2,124 from a \$15,000 SRF Loan agreement with the SWRCB for the 69th Street and Mohawk Pump Station Project. The interest rate on the loan is 1.7% and the repayment period for the loan is 30 years, beginning one year after completion of construction of the project, which is currently projected for May 2020.

On September 12, 2018, the City's Sewer Utility Fund received the first disbursement of \$3,217 from a \$70,000 SRF Loan agreement with the SWRCB for the Pump Station 2 Power Reliability and Surge Protection Project. The interest rate on the loan is 1.8% and the repayment period for the loan is 30 years, beginning one year after completion of construction of the project, which is currently projected for November 2022.

On October 11, 2018, the City's Water Utility Fund received an additional disbursement of \$2,632 from a \$15,000 SRF Loan agreement with the SWRCB for the 69th Street and Mohawk Pump Station Project. The interest rate on the loan is 1.7% and the repayment period for the loan is 30 years, beginning one year after completion of construction of the project, which is currently projected for May 2020.

Pure Water Program

In October 2018, the City Council approved a loan that will finance nearly half of the first phase of Pure Water. The \$614 million loan comes from the USEPA Water Infrastructure Finance and Innovation Act (WIFIA) Program and will cover a significant portion of the \$1.47 billion project. The first phase of the project is scheduled to begin construction in 2019 and will expand potable water production capacity to produce 30 million gallons per day to reduce the use of imported water by early calendar year 2024.

On November 15, 2018, the City Council voted to authorize the bid, award, and execution of construction contracts for Pure Water of up to \$1.08 billion, to establish a \$103 million contingency pool for Pure Water projects, to establish an Owner-Controlled Insurance Program ("OCIP") for Pure Water projects, and to negotiate a Reservation of Rights Agreement with SDG&E that provides initial funding to SDG&E to begin design and relocation of existing gas and electrical facilities. See Note 17 for more information regarding Pure Water.

### Commercial Paper Notes

On May 22, 2018, the City adopted a resolution authorizing the City of San Diego Lease Revenue Commercial Paper Program (General Fund CP) in an amount not-to-exceed \$80,500. On August 14, 2018, the City adopted a resolution increasing the not-to-exceed amount to \$88,500. PFFA adopted a resolution to effectuate the same increase on October 30, 2018.

Funds from the General Fund Commercial Paper notes (General Fund CP Notes) issued will be used to finance the costs of the acquisition, design, construction, installation, improvement, replacement, and equipping of certain capital improvement projects of the City and to pay costs of issuance. The General Fund CP Notes are payable from the Base Rental Payments to be made by the City pursuant to the Lease between the City and the PFFA and amounts in the funds and accounts pledged under the Indenture. The General Fund CP Notes are secured by an irrevocable transferable direct-pay letter of credit (LOC) issued by Wells Fargo Bank, National Association, and will mature on such dates as determined by the City, but no later than 270 days from the date of their issuance or the date which is two business days prior to the termination date of the LOC. The LOC has an initial stated amount of \$92,864, which is the sum of the principal component of \$88,500 and interest component of \$4,364, and a stated expiration date of November 26, 2021, unless extended or terminated sooner in accordance with its terms.

On October 26, 2018, PFFA issued tax-exempt Water CP Notes in the amount of \$37,676 to finance the design, acquisition, construction, installation and improvements of components of the City's water system. The interest rates on the issued Water CP Notes were 1.68-1.70%.

On November 5, 2018, a resolution was adopted approving the proposed form and content of the offering memorandum and financing documents, and the issuance, delivery, and sale of the General Fund CP Notes.

On November 27, 2018, PFFA issued a tax-exempt General Fund CP Note in the amount of \$6,868. The interest rate on the note is 1.72%.

### Water Revenue Bonds

On September 27, 2018, the City adopted an ordinance authorizing the issuance and sale by PFFA of its 2018 Water Revenue Bonds in an amount not to exceed \$283,000 to provide funds for the financing of projects, including refunding all outstanding Water CP Notes. On November 20, 2018, the City and PFFA adopted a resolution approving and authorizing the execution of a Bond Purchase Agreement, approving the form of a Preliminary Official Statement (POS) relating to the 2018 Water Revenue Bonds and the execution, delivery, and distribution of the final Official Statement (OS). On November 29, 2018, the City released the POS and expects to close the Water Revenue Bonds in early January 2019.

### California Supreme Court Ruling on Proposition B

On August 2, 2018, the California Supreme Court overturned the Court of Appeal's decision finding that the City failed to meet and confer with City labor unions prior to placing Proposition B on the ballot in June 2012. The Supreme Court did not invalidate Proposition B, but instead remanded the PERB case to the Court of Appeal for further proceedings. It is possible that the Court of Appeal will uphold the PERB order issued in 2015 which, in part, required the City to make employees whole for pension benefits lost, offset by the value of new benefits provided to them under Proposition B. Based on the City's preliminary analysis and the actuarial work performed by the San Diego City Employees' Retirement System, the City believes that the benefits provided under Proposition B and the pension benefits the affected employees would have otherwise received under the City's defined benefit plan have comparable values; meaning the potential cost to the City as it relates to the "make-whole" provision in the PERB order is inconsequential. However, PERB did not clearly define how the value of these respective benefits should be calculated. Thus, under the PERB Order, the City

is required to negotiate with the labor unions the terms under which affected employees will be made whole. As a result, the ultimate cost to the City (if any) will be the product of these negotiations. A further consideration in implementing any “make-whole remedy” is compliance with federal tax laws and regulations, which may also restrict the remedies available through labor negotiations.

#### Update to Actuarial Valuation of Net Pension Liability (NPL)

On November 16, 2018, the SDCERS actuary released the GASB 67/68 report identifying changes to the City’s NPL as of the measurement date of June 30, 2018. The report indicates the NPL is \$2,613,519, an increase of \$91,462 primarily due to the net results of investment gains, offset with a change in assumptions and an actuarial liability loss during fiscal year 2018. The City reports its NPL one year in arrears, using the measurement date of June 30, 2017. The results of the new report will be reported in the fiscal year 2019 financial statements.



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**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**DEFINED BENEFIT PENSION PLANS  
AND OPEB PLAN**





## REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

June 30, 2018

(Dollars in Thousands)

**GASB 67 and 68 Reporting for June 30, 2017 Measurement Date**  
**Schedule of Changes in Net Pension Liability and Related Ratios**

Total Pension Liability	FYE 2017	FYE 2016	FYE 2015	FYE 2014
Service Cost (Middle of Year)	\$ 106,877	\$ 93,804	\$ 102,688	\$ 107,003
Interest (Includes Interest on Service Cost)	613,529	573,760	554,988	537,875
Differences Between Expected and Actual Experience	71,123	21,285	46,416	—
Changes in Assumptions	249,740	620,314	—	—
Benefit Payments, Including Refunds of Member Contributions	(477,039)	(452,781)	(429,238)	(384,980)
Net Change in Total Pension Liability	564,230	856,382	274,854	259,898
Total Pension Liability, Beginning	8,946,661	8,090,279	7,815,425	7,555,527
Total Pension Liability, Ending	9,510,891	8,946,661	8,090,279	7,815,425
<b>Plan Fiduciary Net Position</b>				
Contributions-Employer	265,572	259,543	268,061	279,659
Contributions-Member	57,050	59,377	59,042	65,467
Net Investment Income	857,923	64,155	207,653	935,051
Benefit Payments, Including Refunds of Member Contributions	(477,039)	(452,781)	(429,238)	(384,980)
Administrative Expense	(10,778)	(10,900)	(8,693)	(10,467)
Net Change in Plan Fiduciary Net Position	692,728	(80,606)	96,825	884,730
Plan Fiduciary Net Position, Beginning	6,296,107	6,376,713	6,279,888	5,395,158
Plan Fiduciary Net Position, Ending	6,988,835	6,296,107	6,376,713	6,279,888
Net Pension Liability, Ending	\$ 2,522,056	\$ 2,650,554	\$ 1,713,566	\$ 1,535,537
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.48%	70.37%	78.82%	80.35%
Covered Pensionable Payroll	\$ 465,100	\$ 480,662	\$ 480,536	\$ 499,463
Net Pension Liability as a Percentage of Covered Payroll	542.26%	551.44%	356.59%	307.44%

**GASB 73 Reporting for June 30, 2017 Measurement Date**  
**Preservation of Benefits Plan Schedule of Changes in Total Pension Liability**

Total Pension Liability	FYE 2017	FYE 2016
Service Cost (Middle of Year)	\$ 60	\$ 36
Interest (Includes Interest on Service Cost)	312	406
Differences Between Expected and Actual Experience	635	—
Changes in Assumptions	(589)	1,588
Benefit Payments	(1,633)	(1,596)
Net Change in Total Pension Liability	(1,215)	434
Total Pension Liability, Beginning	11,747	11,313
Total Pension Liability, Ending	\$ 10,532	\$ 11,747
Covered Pensionable Payroll	\$ 465,100	\$ 480,662
Total Pension Liability as a Percentage of Covered Payroll	2.26%	2.44%

**Pension Plans Schedule of Employer Contributions****Last 10 Fiscal Years (Dollars in Thousands)**

	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 324,500	\$ 261,100	\$ 254,900	\$ 263,600	\$ 275,400
Contributions in Relation to the Actuarially Determined Contribution	324,500	261,100	254,900	263,600	275,400
Contribution Deficiency/(Excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered Payroll <sup>1</sup>	\$ 448,890	\$ 465,100	\$ 480,662	\$ 480,536	\$ 499,463
Contributions as a Percentage of Covered Payroll	72.29%	56.14%	53.03%	54.86%	55.14%
	2013	2012	2011	2010	2009
Actuarially Determined Contribution	\$ 231,100	\$ 231,200	\$ 229,100	\$ 154,200	\$ 161,700
Contributions in Relation to the Actuarially Determined Contribution	231,143	231,200	229,297	192,533	162,475
Contribution Deficiency/(Excess)	\$ (43)	\$ —	\$ (197)	\$ (38,333)	\$ (775)
Covered Payroll <sup>1</sup>	\$ 511,091	\$ 514,265	\$ 530,238	\$ 536,591	\$ 535,774
Contributions as a Percentage of Covered Payroll	45.23%	44.96%	43.24%	35.88%	30.33%

Valuation Date: 6/30/2016

Key Methods and Assumptions Used to Determine Contributions:

Actuarial Cost Method	Entry Age Normal.
Asset Valuation Method	Expected Value Method. The actuarial value of assets was set to the market rate for the 2006 valuation, with the new smoothing method first applying to investment experience for the 2007 fiscal year.
Amortization Method	Closed periods. Payments are a level percentage of payroll (Police) or level dollar (non-Police). In the 2007 valuation, the amortization period was reduced from 27 to 20 years, with subsequent gains or losses amortized over different periods depending on the source. In the 2012 valuation, as a result of Proposition B, the UAL for the non-Police portion of the plan was re-amortized over a closed 15-year period with level dollar payments.
Discount Rate	7.00%. The discount rate was reduced from 8.00% to 7.75% in the 2008 valuation, from 7.75% to 7.50% in the 2011 valuation, from 7.50% to 7.25% in the 2013 valuation, from 7.25% to 7.125% in the 2015 valuation, and 7.125% to 7.00% in the 2016 valuation.
Amortization Growth Rate	3.05%. Same pattern of changes described below for salary increase assumption (excluding freezes).
Wage Inflation	3.05%. Same pattern of changes described below for salary increase assumption.
Salary Increases	3.05% (following assumed freezes in fiscal years 2013-2018) plus merit component based on employee classification and years of service. The across-the-board salary increase assumption was reduced from 4.25% to 4.00% in the 2008 valuation, from 4.00% to 3.75% in the 2011 valuation, and from 3.75% to 3.30% in the 2013 valuation, from 3.30% to 3.175% in the 2015 valuation, and from 3.175% to 3.05% in the 2016 valuation. In the 2011 valuation, a two-year salary freeze assumption (for fiscal years 2013-2014) was added and in the 2013 valuation an additional four-year freeze was assumed (fiscal years 2015-2018).
Cost-Of-Living Adjustments	1.9%, combined annually. The COLA assumption was reduced from 2.0% to 1.9% in the 2016 valuation.
Mortality	Retired healthy members use the CalPERS Post-Retirement Healthy Mortality Table base rates from the CalPERS January 2014 Experience Study, with a 10% increase to female rates, with projection for improvement. From 2005-2007 (valuation years), the UP-1994 table was used, with a two-year setback for males and females. From 2008-2010, the RP-2000 Combined Mortality Table was used, with a two-year set forward for males and females. From 2011-2015, healthy retired members used the RP-2000 Combined Mortality Table (male and female), with rates set forward one year for Safety female members.

A complete description of the methods and assumptions used to determine contribution rates for the year ended June 30, 2018 can be found in the June 30, 2016 Actuarial Valuation Report.

The annual money-weighted rate of return on pension plan investments can be found in the separately issued SDCERS financial report available at [www.sdcers.org](http://www.sdcers.org).

<sup>1</sup> Covered Payroll is pensionable payroll for SDCERS members as of the beginning of the measurement year.



**OPEB TRUST FUND****GASB 75 Reporting for June 30, 2017 Measurement Date****Schedule of Changes in the Net OPEB Liability and Related Ratios (Dollars in Thousands)**

<u>Total OPEB Liability</u>	<u>FYE 2017</u>
Service Cost	\$ 1,237
Interest on the Total OPEB Liability	43,617
Differences Between Expected and Actual Experience	(4,915)
Benefit Payments	(40,280)
Net Change in Total OPEB Liability	(341)
Total OPEB Liability, Beginning	666,671
Total OPEB Liability, Ending	<u>\$ 666,330</u>
<u>Plan Fiduciary Net Position</u>	
Contributions-Employer	\$ 30,326
Contributions-Member	719
Net Investment Income	8,590
Benefit Payments	(40,280)
Administrative Expense	(59)
Net Change in Plan Fiduciary Net Position	(704)
Plan Fiduciary Net Position, Beginning	116,590
Plan Fiduciary Net Position, Ending	115,886
Net OPEB Liability, Ending	<u>\$ 550,444</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.39%
Covered-Employee Payroll	\$ 61,397
Net OPEB Liability as a Percentage of Covered-Employee Payroll	896.53%

**OPEB Plan Schedule of Employer Contributions**  
**Last 10 Fiscal Years (Dollars in Thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 51,084	\$ 48,475	\$ 46,976	\$ 41,740	\$ 38,097
Contributions in Relation to the Actuarially Determined Contributions	30,380	30,326	39,254	31,515	31,540
Contribution Deficiency/(Excess)	<u>\$ 20,704</u>	<u>\$ 18,149</u>	<u>\$ 7,722</u>	<u>\$ 10,225</u>	<u>\$ 6,557</u>
Covered-Employee Payroll <sup>1</sup>	\$ 51,483	\$ 61,397	\$ 74,002	\$ 87,252	\$ 98,742
Contributions as a Percentage of Covered-Employee Payroll	59.01%	49.39%	53.04%	36.12%	31.94%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially Determined Contribution	\$ 35,348	\$ 49,061	\$ 120,324	\$ 113,426	\$ 104,475
Contributions in Relation to the Actuarially Determined Contributions	37,464	23,857	33,868	31,689	33,868
Contribution Deficiency/(Excess)	<u>\$ (2,116)</u>	<u>\$ 25,204</u>	<u>\$ 86,456</u>	<u>\$ 81,737</u>	<u>\$ 70,607</u>
Covered-Employee Payroll <sup>1</sup>	\$ 112,782	\$ 124,675	\$ 455,537	\$ 472,561	\$ 549,012
Contributions as a Percentage of Covered-Employee Payroll	33.22%	19.14%	7.43%	6.71%	6.17%

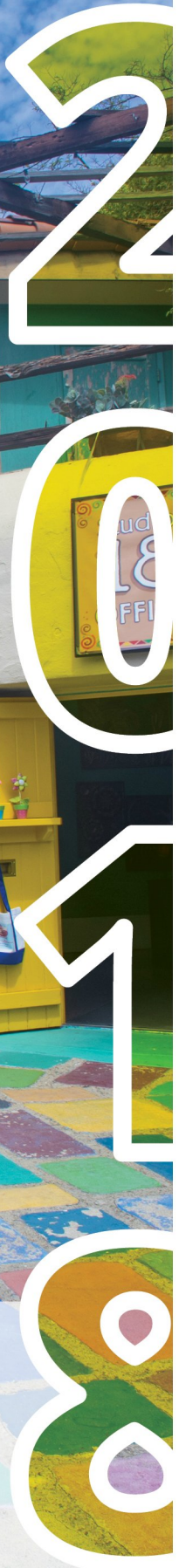
Valuation Date: June 30, 2017

Key Methods and Assumptions Used to Determine Contributions:

Actuarial Cost Method	Entry Age Normal, Level Dollar
Asset Valuation Method	Market Value.
Amortization Method/Period	Closed 20 year period.
Discount Rate	6.73%.
Inflation	2.75%
Health Care Cost Trend Rates	8.00% pre-65 and 5.30% post-65 initial trend rates for FY 2017. Decreasing 0.5% per year pre-65 and 0.2% per year post-65 until ultimate is reached in FY 2024 pre-65 and FY 2021 post-65.
Retirement Age	Varies by age, service, and type of employee. Rates are based on an experience study performed for the San Diego City Employees' Retirement System in June 2011.
Mortality	The base mortality rates are based on an experience study performed for the San Diego City Employees' Retirement System in June 2011. These rates are projected on a fully generational basis using Scale BB to reflect more recently published information about future mortality improvement.

<sup>1</sup> Covered-Employee Payroll includes payroll for active employees in Options A and B only.

A complete description of the methods and assumptions used to determine the contribution for the fiscal year ended June 30, 2017 can be found in the June 30, 2016 Actuarial Valuation Report.



**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)  
GENERAL FUND**





## General Fund

The General Fund is the chief operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

General Fund revenues are derived from such sources as: Taxes; Franchise Fees, Licenses and Permits; Fines, Forfeitures, and Penalties; Revenue from the Use of Money and Property; Revenue from Federal and Other Agencies; Revenue from Private Sources; Charges for Current Services; and Other Revenue.

Current expenditures are classified by the following functions: General Government and Support; Public Safety - Police; Public Safety - Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; Capital Outlay; and Debt Service Principal and Interest. This fund is appropriated annually.

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Original Budget	Final Budget	Actual Amounts <sup>1</sup>	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes .....	\$ 534,621	\$ 534,621	\$ 535,481	\$ 860
Sales Taxes .....	275,308	275,308	272,886	(2,422)
Transient Occupancy Taxes .....	121,055	121,055	121,904	849
Franchise Fees .....	75,087	75,087	80,215	5,128
Other Local Taxes .....	10,069	10,069	10,719	650
Licenses and Permits .....	21,663	21,663	22,000	337
Fines, Forfeitures and Penalties .....	31,852	31,852	30,684	(1,168)
Revenue from Use of Money and Property .....	58,443	58,443	65,289	6,846
Revenue from Federal Agencies .....	220	1,720	1,483	(237)
Revenue from Other Agencies .....	4,263	5,622	8,190	2,568
Revenue from Private Sources .....	2,147	2,147	1,225	(922)
Charges for Current Services .....	152,804	156,888	155,173	(1,715)
Other Revenue .....	2,428	2,428	4,142	1,714
<b>TOTAL REVENUES</b> .....	<b>1,289,960</b>	<b>1,296,903</b>	<b>1,309,391</b>	<b>12,488</b>
<b>EXPENDITURES</b>				
Current:				
General Government and Support .....	269,320	250,622	235,527	15,095
Public Safety - Police .....	468,251	475,795	475,795	—
Public Safety - Fire and Life Safety and Homeland Security .....	258,246	273,814	272,443	1,371
Parks, Recreation, Culture and Leisure .....	161,995	166,673	166,590	83
Transportation .....	65,677	66,216	65,287	929
Sanitation and Health .....	91,508	96,006	94,838	1,168
Neighborhood Services .....	30,602	28,987	28,762	225
Capital Outlay .....	1,553	2,801	2,742	59
Debt Service:				
Principal Retirement .....	4,478	5,618	5,618	—
Interest .....	962	8,307	7,675	632
<b>TOTAL EXPENDITURES</b> .....	<b>1,352,592</b>	<b>1,374,839</b>	<b>1,355,277</b>	<b>19,562</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b> .....	<b>(62,632)</b>	<b>(77,936)</b>	<b>(45,886)</b>	<b>32,050</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds .....	117,789	116,281	118,110	1,829
Transfers to Proprietary Funds .....	(20,572)	(200)	(200)	—
Transfers to Other Funds .....	(60,660)	(66,078)	(62,737)	3,341
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>36,557</b>	<b>50,003</b>	<b>55,173</b>	<b>5,170</b>
<b>NET CHANGE IN FUND BALANCE</b> .....	<b>(26,075)</b>	<b>(27,933)</b>	<b>9,287</b>	<b>37,220</b>
FUND BALANCE AT BEGINNING OF YEAR .....	218,205	218,205	218,205	—
<b>FUND BALANCE AT END OF YEAR</b> .....	<b>\$ 192,130</b>	<b>\$ 190,272</b>	<b>\$ 227,492</b>	<b>\$ 37,220</b>

See accompanying note to required supplementary information.

<sup>1</sup> Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54.

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**Fiscal Year Ended June 30, 2018**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Budgetary Data**

Each year, the Mayor submits to the City Council and the public a proposed operating and capital improvements budget by April 15 for the fiscal year commencing July 1. This budget includes annual budgets for the following governmental funds:

- **General Fund**
- **Special Revenue Funds**
  - City of San Diego:
    - Acquisition, Improvement and Operations
    - SDCCU Stadium Operations
    - Transient Occupancy Tax
    - Underground Surcharge
    - Zoological Exhibits
    - Other Special Revenue
  - Civic San Diego
- **Capital Projects Funds**
  - City of San Diego:
    - TransNet
    - Capital Outlay

Included in the budget are funds that include appropriations for personnel expenses and capital projects and certain funds that collect restricted or committed revenue sources. For those funds not specifically included in the budget, the Appropriation Ordinance includes authorization to appropriate funds for the purpose established by applicable laws and/or in accordance with provisions of agreements authorized by the City Council.

Public hearings are conducted to obtain residents' comments on the proposed budget. A budget resolution legally adopting the budget for the next fiscal year is passed prior to June 15. During the month of July, the Appropriation Ordinance is passed by the City Council, appropriating funds according to the budget resolution. Budgets are prepared on the modified accrual basis of accounting, with the exception that any increase/decrease in advances to other funds and agencies are considered as additions/deductions of expenditures. The City budget is prepared excluding unrealized gains or losses resulting from the change in fair value of investments.

Budgetary control is established at the highest level by the City Charter and further defined by the City Council in the Appropriation Ordinance. The level of budgetary control for all City funds is exercised at the salaries and wages and non-personnel expenditures level. Budgetary control for the General Fund is at the department level, while control for other budgeted funds, including those of certain component units, is maintained at the total fund appropriation level. All amendments to the adopted budget require City Council approval except as delegated in the Appropriation Ordinance.

Reported budget figures are as originally adopted or subsequently amended. Appropriations lapse at year-end to the extent that they have not been expended except for those of a capital nature, which continue to subsequent years.

The following is a reconciliation of the net change in fund balance for the General Fund prepared on a GAAP basis to that prepared on the budgetary basis for the year ended June 30, 2018 (dollars in thousands):

	General Fund
Net Change in Fund Balance - GAAP Basis	\$ (19,655)
Add (Deduct):	
Unrealized Loss, June 30, 2018	2,529
Unrealized Loss, June 30, 2017	(855)
Advances to Other Funds, June 30, 2018	(733)
Advances to Other Funds, June 30, 2017	782
Other Perspective Differences <sup>1,2</sup>	(5,639)
Other Fund Activity <sup>3</sup>	32,858
Net Change in Fund Balance - Budgetary Basis	<u>\$ 9,287</u>

<sup>1</sup> In fiscal year 2015, the General Fund accrued expenditures of \$5,053, in the Statement of Revenues, Expenditures and Changes in Fund Balance (GAAP Basis), for low flow diversion capacity charges due to the Sewer Utility Fund. The City budgeted the remaining balance (\$3,032) in fiscal year 2018. The City considers this to be a perspective difference between the GAAP basis and the budgetary basis of accounting.

<sup>2</sup> The City budgets and expends property management fees annually at a set monthly amount. This amount is then reconciled to monthly expenses for the property on a GAAP basis.

<sup>3</sup> The General Fund budgetary schedule includes funds associated with General Fund operations as reported in the City's budget. General Fund financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as a special revenue fund, pursuant to GASB Statement No. 54. The City administers a number of these funds as separate budgetary entities.





**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS  
AND SCHEDULES**







2018

**GENERAL FUND**





**GENERAL FUND  
SCHEDULE OF REVENUES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
Fiscal Year Ended June 30, 2018  
(Dollars in Thousands)**

	Actual on Budgetary Basis <sup>1</sup>	Final Budget	Variance with Final Budget Positive (Negative)
<b>PROPERTY TAXES</b>			
Current Year - Secured (One Percent Allocation) .....	\$ 342,398	\$ 372,031	\$ (29,633)
Current Year Supplemental - Secured .....	5,223	—	5,223
Current Year - Unsecured .....	10,584	—	10,584
Current Unsecured Supplemental Roll .....	50	—	50
Homeowners' Exemptions - Secured .....	2,495	—	2,495
Homeowners' Exemptions - Unsecured .....	2	—	2
Prior years' - Secured .....	586	—	586
Prior years' - Unsecured .....	(279)	—	(279)
In-Lieu Vehicle License Fees .....	137,534	135,761	1,773
Interest and Penalties on Delinquent Taxes .....	940	—	940
Escapes - Secured .....	5,685	—	5,685
Escapes - Unsecured .....	754	—	754
Other Property Taxes .....	22,820	26,829	(4,009)
State Secured Unitary .....	6,689	—	6,689
<b>TOTAL PROPERTY TAXES</b> .....	<b>535,481</b>	<b>534,621</b>	<b>860</b>
<b>SALES TAXES</b> .....	<b>272,886</b>	<b>275,308</b>	<b>(2,422)</b>
<b>TRANSIENT OCCUPANCY TAXES</b> .....	<b>121,904</b>	<b>121,055</b>	<b>849</b>
<b>FRANCHISE FEES</b> .....	<b>80,215</b>	<b>75,087</b>	<b>5,128</b>
<b>OTHER LOCAL TAXES</b>			
Property Transfer Tax .....	10,719	10,069	650
<b>LICENSES AND PERMITS</b>			
General Business Licenses .....	7,391	7,501	(110)
Refuse Collection Business Licenses .....	1,218	1,100	118
Rental Unit Tax .....	7,279	7,460	(181)
Other Licenses and Permits .....	6,112	5,602	510
<b>TOTAL LICENSES AND PERMITS</b> .....	<b>22,000</b>	<b>21,663</b>	<b>337</b>
<b>FINES, FORFEITURES AND PENALTIES</b>			
California Vehicle Code Violations .....	26,925	27,694	(769)
Other City Ordinance Code Violations .....	3,759	4,158	(399)
<b>TOTAL FINES, FORFEITURES AND PENALTIES</b> .....	<b>30,684</b>	<b>31,852</b>	<b>(1,168)</b>
<b>REVENUE FROM USE OF MONEY AND PROPERTY</b>			
Interest on Investments .....	2,258	671	1,587
Balboa Park Rents and Concessions .....	343	284	59
Mission Bay Park Rents and Concessions .....	32,574	31,158	1,416
Other Rents and Concessions .....	30,114	26,330	3,784
<b>TOTAL REVENUE FROM USE OF MONEY AND PROPERTY</b> .....	<b>65,289</b>	<b>58,443</b>	<b>6,846</b>
<b>REVENUE FROM FEDERAL AGENCIES</b> .....	<b>1,483</b>	<b>1,720</b>	<b>(237)</b>

(Continued on Next Page)

**GENERAL FUND**  
**SCHEDULE OF REVENUES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Actual on Budgetary Basis <sup>1</sup>	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUE FROM OTHER AGENCIES</b>			
State Motor Vehicle License Fees .....	\$ 741	\$ —	\$ 741
Local Relief .....	78	110	(32)
Other .....	7,371	5,512	1,859
<b>TOTAL REVENUE FROM OTHER AGENCIES .....</b>	<b>8,190</b>	<b>5,622</b>	<b>2,568</b>
<b>REVENUE FROM PRIVATE SOURCES .....</b>	<b>1,225</b>	<b>2,147</b>	<b>(922)</b>
<b>CHARGES FOR CURRENT SERVICES</b>			
Cemetery Revenue .....	846	694	152
Fire Services .....	13,326	13,354	(28)
Library Revenue .....	1,020	1,202	(182)
Police Services .....	8,896	7,202	1,694
Swimming Pools Revenue .....	1,062	1,156	(94)
Miscellaneous Recreation Revenue .....	4,562	5,383	(821)
Other Services .....	2,466	2,641	(175)
Services Rendered to Other Funds for: .....			
General Government and Financial .....	122,730	124,924	(2,194)
Miscellaneous Services .....	265	332	(67)
<b>TOTAL CHARGES FOR CURRENT SERVICES .....</b>	<b>155,173</b>	<b>156,888</b>	<b>(1,715)</b>
<b>OTHER REVENUE</b>			
Other Refunds of Prior Years' Expenditures .....	404	210	194
Repairs and Damage Recoveries .....	474	454	20
Sale of Personal Property .....	64	67	(3)
Miscellaneous Revenue .....	3,200	1,697	1,503
<b>TOTAL OTHER REVENUE .....</b>	<b>4,142</b>	<b>2,428</b>	<b>1,714</b>
<b>TOTAL REVENUES .....</b>	<b>1,309,391</b>	<b>1,296,903</b>	<b>12,488</b>
<b>TRANSFERS FROM OTHER FUNDS</b>			
Special Revenue Funds:			
City of San Diego:			
Interfund Transfers .....	70,888	69,059	1,829
Acquisition, Improvement and Operations .....	700	700	—
SDCCU Stadium Operations .....	8,500	8,500	—
Transient Occupancy Tax .....	26,819	26,819	—
Other Special Revenue - Unbudgeted .....	1,133	1,133	—
Capital Projects Funds:			
TransNet - Budgeted .....	9,644	9,644	—
Permanent Funds:			
Cemetery Perpetuity .....	426	426	—
<b>TOTAL TRANSFERS FROM OTHER FUNDS .....</b>	<b>118,110</b>	<b>116,281</b>	<b>1,829</b>
<b>TOTAL REVENUE AND TRANSFERS .....</b>	<b>\$ 1,427,501</b>	<b>\$ 1,413,184</b>	<b>\$ 14,317</b>

<sup>1</sup> Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. Transfers between the General Fund and these additional funds are titled "Interfund Transfers."

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
Fiscal Year Ended June 30, 2018  
(Dollars in Thousands)**

	Actual on Budgetary Basis <sup>1</sup>	Final Budget	Variance with Final Budget (Negative)
<b>GENERAL GOVERNMENT AND SUPPORT</b>			
Office of the Mayor			
Salaries and Wages .....	\$ 2,266	\$ 2,266	\$ —
Non-Personnel .....	2,094	2,252	158
Total Office of the Mayor .....	<u>4,360</u>	<u>4,518</u>	<u>158</u>
City Council District 1			
Salaries and Wages .....	560	607	47
Non-Personnel .....	537	589	52
Total City Council District 1 .....	<u>1,097</u>	<u>1,196</u>	<u>99</u>
City Council District 2			
Salaries and Wages .....	634	634	—
Non-Personnel .....	618	748	130
Total City Council District 2 .....	<u>1,252</u>	<u>1,382</u>	<u>130</u>
City Council District 3			
Salaries and Wages .....	606	617	11
Non-Personnel .....	416	506	90
Total City Council District 3 .....	<u>1,022</u>	<u>1,123</u>	<u>101</u>
City Council District 4			
Salaries and Wages .....	564	631	67
Non-Personnel .....	594	676	82
Total City Council District 4 .....	<u>1,158</u>	<u>1,307</u>	<u>149</u>
City Council District 5			
Salaries and Wages .....	555	669	114
Non-Personnel .....	402	508	106
Total City Council District 5 .....	<u>957</u>	<u>1,177</u>	<u>220</u>
City Council District 6			
Salaries and Wages .....	586	669	83
Non-Personnel .....	377	454	77
Total City Council District 6 .....	<u>963</u>	<u>1,123</u>	<u>160</u>
City Council District 7			
Salaries and Wages .....	712	712	—
Non-Personnel .....	478	505	27
Total City Council District 7 .....	<u>1,190</u>	<u>1,217</u>	<u>27</u>
City Council District 8			
Salaries and Wages .....	645	645	—
Non-Personnel .....	610	747	137
Total City Council District 8 .....	<u>1,255</u>	<u>1,392</u>	<u>137</u>
City Council District 9			
Salaries and Wages .....	605	632	27
Non-Personnel .....	676	760	84
Total City Council District 9 .....	<u>1,281</u>	<u>1,392</u>	<u>111</u>
Council Administration			
Salaries and Wages .....	1,257	1,257	—
Non-Personnel .....	1,143	1,322	179
Total Council Administration .....	<u>2,400</u>	<u>2,579</u>	<u>179</u>

(Continued on Next Page)

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Actual on Budgetary Basis <sup>1</sup>	Final Budget	Variance with Final Budget (Negative)
<b>City Clerk</b>			
Salaries and Wages .....	\$ 2,343	\$ 2,343	\$ —
Non-Personnel .....	3,125	3,224	99
<b>Total City Clerk .....</b>	<b>5,468</b>	<b>5,567</b>	<b>99</b>
<b>Independent Budget Analyst</b>			
Salaries and Wages .....	1,124	1,124	—
Non-Personnel .....	869	1,022	153
<b>Total Independent Budget Analyst .....</b>	<b>1,993</b>	<b>2,146</b>	<b>153</b>
<b>City Attorney</b>			
Salaries and Wages .....	28,692	28,692	—
Non-Personnel .....	25,130	25,912	782
<b>Total City Attorney .....</b>	<b>53,822</b>	<b>54,604</b>	<b>782</b>
<b>Personnel</b>			
Salaries and Wages .....	4,544	4,544	—
Non-Personnel .....	4,360	4,410	50
<b>Total Personnel .....</b>	<b>8,904</b>	<b>8,954</b>	<b>50</b>
<b>Ethics Commission</b>			
Salaries and Wages .....	555	555	—
Non-Personnel .....	572	674	102
<b>Total Ethics Commission .....</b>	<b>1,127</b>	<b>1,229</b>	<b>102</b>
<b>Office of the City Auditor</b>			
Salaries and Wages .....	2,071	2,071	—
Non-Personnel .....	1,793	1,918	125
<b>Total Office of the City Auditor .....</b>	<b>3,864</b>	<b>3,989</b>	<b>125</b>
<b>Assistant Chief Operating Officer</b>			
Salaries and Wages .....	906	906	—
Non-Personnel .....	740	906	166
<b>Total Assistant Chief Operating Officer .....</b>	<b>1,646</b>	<b>1,812</b>	<b>166</b>
<b>Performance and Analytics</b>			
Salaries and Wages .....	1,311	1,311	—
Non-Personnel .....	1,078	1,188	110
<b>Total Performance and Analytics .....</b>	<b>2,389</b>	<b>2,499</b>	<b>110</b>
<b>Human Resources</b>			
Salaries and Wages .....	2,641	2,641	—
Non-Personnel .....	2,660	2,761	101
<b>Total Human Resources .....</b>	<b>5,301</b>	<b>5,402</b>	<b>101</b>
<b>Department of Information Technology</b>			
Non-Personnel .....	232	232	—
<b>Office of the Chief Operating Officer</b>			
Salaries and Wages .....	873	873	—
Non-Personnel .....	743	743	—
<b>Total Office of the Chief Operating Officer .....</b>	<b>1,616</b>	<b>1,616</b>	<b>—</b>
<b>Internal Operations</b>			
Salaries and Wages .....	233	233	—
Non-Personnel .....	249	249	—
<b>Total Internal Operations .....</b>	<b>482</b>	<b>482</b>	<b>—</b>



**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Actual on Budgetary Basis <sup>1</sup>	Final Budget	Variance with Final Budget (Negative)
Communications			
Salaries and Wages .....	\$ 2,031	\$ 2,031	\$ —
Non-Personnel .....	1,925	1,925	—
Total Communications .....	<u>3,956</u>	<u>3,956</u>	<u>—</u>
Chief Financial Officer			
Salaries and Wages .....	313	313	—
Non-Personnel .....	284	306	22
Total Chief Financial Officer .....	<u>597</u>	<u>619</u>	<u>22</u>
City Comptroller			
Salaries and Wages .....	5,876	5,876	—
Non-Personnel .....	6,153	6,187	34
Total City Comptroller .....	<u>12,029</u>	<u>12,063</u>	<u>34</u>
Debt Management			
Salaries and Wages .....	1,618	1,618	—
Non-Personnel .....	1,289	1,498	209
Total Debt Management .....	<u>2,907</u>	<u>3,116</u>	<u>209</u>
Financial Management			
Salaries and Wages .....	2,318	2,318	—
Non-Personnel .....	1,676	1,949	273
Total Financial Management .....	<u>3,994</u>	<u>4,267</u>	<u>273</u>
Purchasing and Contracting			
Salaries and Wages .....	3,061	3,061	—
Non-Personnel .....	2,763	2,763	—
Total Purchasing and Contracting .....	<u>5,824</u>	<u>5,824</u>	<u>—</u>
City Treasurer			
Salaries and Wages .....	6,344	6,344	—
Non-Personnel .....	8,954	8,954	—
Total City Treasurer .....	<u>15,298</u>	<u>15,298</u>	<u>—</u>
Neighborhood Services			
Salaries and Wages .....	642	642	—
Non-Personnel .....	361	413	52
Total Neighborhood Services .....	<u>1,003</u>	<u>1,055</u>	<u>52</u>
Real Estate Assets			
Salaries and Wages .....	2,334	2,334	—
Non-Personnel .....	4,440	4,573	133
Total Real Estate Assets .....	<u>6,774</u>	<u>6,907</u>	<u>133</u>
General Services			
Salaries and Wages .....	8,055	8,055	—
Non-Personnel .....	11,049	11,498	449
Total General Services .....	<u>19,104</u>	<u>19,553</u>	<u>449</u>
Public Works/Infrastructure			
Salaries and Wages .....	473	473	—
Non-Personnel .....	424	487	63
Total Public Works/Infrastructure .....	<u>897</u>	<u>960</u>	<u>63</u>
Public Works - Contracts			
Salaries and Wages .....	1,179	1,179	—
Non-Personnel .....	851	1,068	217
Total Public Works - Contracts .....	<u>2,030</u>	<u>2,247</u>	<u>217</u>

(Continued on Next Page)

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Actual on Budgetary Basis <sup>1</sup>	Final Budget	Variance with Final Budget (Negative)
Citywide Expenses			
Non-Personnel .....	\$ 57,335	\$ 67,819	\$ 10,484
<b>TOTAL GENERAL GOVERNMENT AND SUPPORT .....</b>	<b>235,527</b>	<b>250,622</b>	<b>15,095</b>
<b>PUBLIC SAFETY - POLICE</b>			
Salaries and Wages .....	217,904	217,904	—
Non-Personnel .....	257,891	257,891	—
<b>TOTAL PUBLIC SAFETY - POLICE .....</b>	<b>475,795</b>	<b>475,795</b>	<b>—</b>
<b>PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY</b>			
Fire - Rescue			
Salaries and Wages .....	133,895	133,895	—
Non-Personnel .....	135,778	137,084	1,306
Total Fire - Rescue .....	269,673	270,979	1,306
Office of Homeland Security			
Salaries and Wages .....	1,289	1,289	—
Non-Personnel .....	1,481	1,546	65
Total Office of Homeland Security .....	2,770	2,835	65
<b>TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY .....</b>	<b>272,443</b>	<b>273,814</b>	<b>1,371</b>
<b>PARKS, RECREATION, CULTURE AND LEISURE</b>			
Library			
Salaries and Wages .....	20,210	20,210	—
Non-Personnel .....	31,594	31,594	—
Total Library .....	51,804	51,804	—
Parks and Recreation			
Salaries and Wages .....	36,920	36,920	—
Non-Personnel .....	75,218	75,300	82
Total Parks and Recreation .....	112,138	112,220	82
Reservoir Concessions			
Non-Personnel .....	2,648	2,649	1
<b>TOTAL PARKS, RECREATION, CULTURE AND LEISURE .....</b>	<b>166,590</b>	<b>166,673</b>	<b>83</b>
<b>TRANSPORTATION</b>			
Salaries and Wages .....	21,688	21,688	—
Non-Personnel .....	43,599	44,528	929
<b>TOTAL TRANSPORTATION .....</b>	<b>65,287</b>	<b>66,216</b>	<b>929</b>
<b>SANITATION AND HEALTH</b>			
Environmental Services			
Salaries and Wages .....	8,374	8,374	—
Non-Personnel .....	32,122	32,642	520
Total Environmental Services .....	40,496	41,016	520
Storm Water			
Salaries and Wages .....	10,976	10,976	—
Non-Personnel .....	43,366	44,014	648
Total Storm Water .....	54,342	54,990	648
<b>TOTAL SANITATION AND HEALTH .....</b>	<b>94,838</b>	<b>96,006</b>	<b>1,168</b>

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Actual on Budgetary Basis <sup>1</sup>	Final Budget	Variance with Final Budget (Negative)
<b>NEIGHBORHOOD SERVICES</b>			
Development Services			
Salaries and Wages .....	\$ 3,612	\$ 3,612	\$ —
Non-Personnel .....	3,106	3,106	—
Total Development Services .....	<u>6,718</u>	<u>6,718</u>	<u>—</u>
Economic Development			
Salaries and Wages .....	4,074	4,074	—
Non-Personnel .....	8,638	8,694	56
Total Economic Development .....	<u>12,712</u>	<u>12,768</u>	<u>56</u>
Planning			
Salaries and Wages .....	4,384	4,384	—
Non-Personnel .....	4,948	5,117	169
Total Planning .....	<u>9,332</u>	<u>9,501</u>	<u>169</u>
<b>TOTAL NEIGHBORHOOD SERVICES .....</b>	<b><u>28,762</u></b>	<b><u>28,987</u></b>	<b><u>225</u></b>
<b>CAPITAL OUTLAY .....</b>	<b><u>2,742</u></b>	<b><u>2,801</u></b>	<b><u>59</u></b>
<b>DEBT SERVICE</b>			
Principal Retirement .....	5,618	5,618	—
Interest .....	7,675	8,307	632
<b>TOTAL DEBT SERVICE .....</b>	<b><u>13,293</u></b>	<b><u>13,925</u></b>	<b><u>632</u></b>
<b>TOTAL EXPENDITURES .....</b>	<b><u>1,355,277</u></b>	<b><u>1,374,839</u></b>	<b><u>19,562</u></b>
<b>TRANSFERS TO PROPRIETARY FUNDS</b>			
Enterprise Funds:			
Development Services .....	200	200	—
<b>TRANSFERS TO OTHER FUNDS</b>			
Special Revenue Funds:			
City of San Diego:			
Interfund Transfers .....	20,536	23,877	3,341
Acquisition, Improvement and Operations .....	1,000	1,000	—
SDCCU Stadium Operations .....	1,000	1,000	—
Transient Occupancy Tax .....	4,214	4,214	—
Grants .....	9	9	—
Other Special Revenue - Unbudgeted .....	2,902	2,902	—
Total Special Revenue Funds .....	<u>29,661</u>	<u>33,002</u>	<u>3,341</u>
Debt Service Funds:			
Public Facilities Financing Authority .....	15,505	15,505	—
Capital Projects Funds:			
City of San Diego:			
Capital Outlay - Budgeted .....	12,637	12,637	—
Capital Grants .....	52	52	—
Capital Outlay - Unbudgeted .....	4,882	4,882	—
Total Capital Projects Funds .....	<u>17,571</u>	<u>17,571</u>	<u>—</u>
<b>TOTAL TRANSFERS TO OTHER FUNDS .....</b>	<b><u>62,737</u></b>	<b><u>66,078</u></b>	<b><u>3,341</u></b>
<b>TOTAL EXPENDITURES AND TRANSFERS .....</b>	<b><u>\$ 1,418,214</u></b>	<b><u>\$ 1,441,117</u></b>	<b><u>\$ 22,903</u></b>

<sup>1</sup> Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. Transfers between the General Fund and these additional funds are titled "Interfund Transfers."



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## NONMAJOR GOVERNMENTAL FUNDS





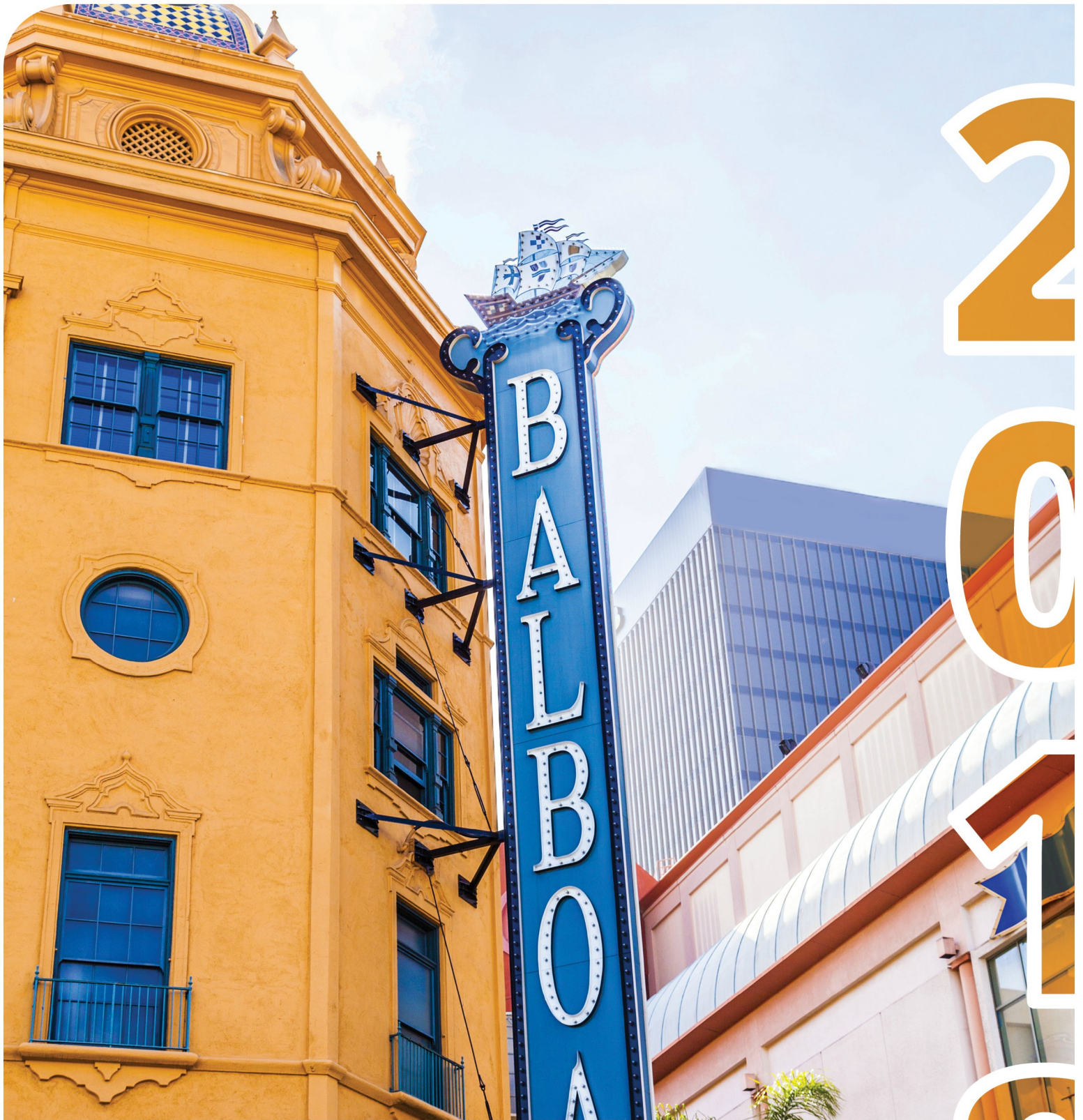
**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2018  
(Dollars in Thousands)**

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and Investments .....	\$ 484,718	\$ 5	\$ 659,159	\$ —	\$ 1,143,882
Receivables:					
Taxes - Net of Allowance for Uncollectibles .....	26,973	—	32,752	—	59,725
Accounts - Net of Allowance for Uncollectibles .....	10,810	4,718	5,267	—	20,795
Claims .....	—	—	30,380	—	30,380
Special Assessments .....	121	—	—	—	121
Notes .....	265,041	—	—	—	265,041
Loans .....	180,472	—	—	—	180,472
Accrued Interest .....	1,058	12	1,376	14	2,460
Grants .....	22,272	—	3,926	—	26,198
Advances to Other Agencies .....	4,383	—	11	—	4,394
Land Held for Resale .....	20,778	—	—	—	20,778
Prepaid Items .....	195	—	—	—	195
Restricted Cash and Investments .....	4,046	12,139	48,507	20,763	85,455
<b>TOTAL ASSETS</b> .....	<u>\$ 1,020,867</u>	<u>\$ 16,874</u>	<u>\$ 781,378</u>	<u>\$ 20,777</u>	<u>\$ 1,839,896</u>
<b>LIABILITIES</b>					
Accounts Payable .....	\$ 37,673	\$ —	\$ 29,620	\$ 4	\$ 67,297
Accrued Wages and Benefits .....	379	—	—	—	379
Other Accrued Liabilities .....	1,259	—	—	—	1,259
Due to Other Funds .....	20,918	—	6,199	—	27,117
Due to Other Agencies .....	10	—	13	—	23
Unearned Revenue .....	4,815	—	17,775	—	22,590
Advances from Other Funds .....	733	—	—	—	733
<b>TOTAL LIABILITIES</b> .....	<u>65,787</u>	<u>—</u>	<u>53,607</u>	<u>4</u>	<u>119,398</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Taxes .....	222	—	32,558	—	32,780
Unavailable Revenue - Grants .....	17,231	—	2,209	—	19,440
Unavailable Revenue - Other .....	6,194	4,718	2,348	—	13,260
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<u>23,647</u>	<u>4,718</u>	<u>37,115</u>	<u>—</u>	<u>65,480</u>
<b>FUND BALANCES</b>					
Nonspendable .....	206	—	—	17,836	18,042
Restricted .....	896,338	12,156	671,148	2,937	1,582,579
Committed .....	52,139	—	45,772	—	97,911
Unassigned .....	(17,250)	—	(26,264)	—	(43,514)
<b>TOTAL FUND BALANCES</b> .....	<u>931,433</u>	<u>12,156</u>	<u>690,656</u>	<u>20,773</u>	<u>1,655,018</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> .....	<u>\$ 1,020,867</u>	<u>\$ 16,874</u>	<u>\$ 781,378</u>	<u>\$ 20,777</u>	<u>\$ 1,839,896</u>

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Property Taxes .....	\$ 13,389	\$ —	\$ —	\$ —	\$ 13,389
Special Assessments .....	63,870	—	—	—	63,870
Sales Taxes .....	—	—	31,702	—	31,702
Transient Occupancy Taxes .....	109,959	—	—	—	109,959
Franchises .....	63,977	—	—	—	63,977
Licenses and Permits .....	14,521	—	71,995	—	86,516
Fines, Forfeitures and Penalties .....	1,449	—	—	—	1,449
Revenue from Use of Money and Property .....	24,286	658	6,073	735	31,752
Revenue from Federal Agencies .....	42,177	—	10,106	—	52,283
Revenue from Other Agencies .....	4,990	10,952	9,716	—	25,658
Revenue from Private Sources .....	4,852	—	2,593	678	8,123
Charges for Current Services .....	26,261	—	77	127	26,465
Other Revenue .....	3,338	—	730	—	4,068
<b>TOTAL REVENUES</b> .....	<b>373,069</b>	<b>11,610</b>	<b>132,992</b>	<b>1,540</b>	<b>519,211</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	25,604	—	3,931	—	29,535
Public Safety - Police .....	6,414	—	—	—	6,414
Public Safety - Fire and Life Safety and Homeland Security .....	12,347	—	—	—	12,347
Parks, Recreation, Culture and Leisure .....	147,276	—	7,202	24	154,502
Transportation .....	33,110	—	20,984	—	54,094
Sanitation and Health .....	3,548	—	581	71	4,200
Neighborhood Services .....	64,251	—	77	—	64,328
Capital Outlay .....	45,026	—	173,621	—	218,647
Debt Service:					
Principal Retirement .....	325	32,945	633	—	33,903
Cost of Issuance .....	—	1,500	—	—	1,500
Interest .....	178	47,013	90	—	47,281
Payment to Refunded Bond Escrow Agent .....	—	13,125	—	—	13,125
<b>TOTAL EXPENDITURES</b> .....	<b>338,079</b>	<b>94,583</b>	<b>207,119</b>	<b>95</b>	<b>639,876</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>34,990</b>	<b>(82,973)</b>	<b>(74,127)</b>	<b>1,445</b>	<b>(120,665)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	—	—	61	—	61
Transfers from Other Funds .....	25,127	51,710	18,932	—	95,769
Transfers to Proprietary Funds .....	(1,215)	—	—	—	(1,215)
Transfers to Other Funds .....	(80,339)	(661)	(17,140)	(541)	(98,681)
Payment to Refunded Bond Escrow Agent .....	—	(183,745)	—	—	(183,745)
Proceeds from the Sale of Capital Assets .....	—	—	2,037	—	2,037
Capital Lease Proceeds .....	—	—	16,191	—	16,191
Revenue Bonds Issued .....	—	129,320	—	—	129,320
Tobacco Settlement Bonds Issued .....	—	73,784	24,071	—	97,855
Discount on Bonds Issued .....	—	(204)	—	—	(204)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(56,427)</b>	<b>70,204</b>	<b>44,152</b>	<b>(541)</b>	<b>57,388</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(21,437)</b>	<b>(12,769)</b>	<b>(29,975)</b>	<b>904</b>	<b>(63,277)</b>
Fund Balances at Beginning of Year .....	952,870	24,925	720,631	19,869	1,718,295
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 931,433</b>	<b>\$ 12,156</b>	<b>\$ 690,656</b>	<b>\$ 20,773</b>	<b>\$ 1,655,018</b>





2018

**NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE**





## SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than those for debt service or major capital projects) that are restricted or committed to expenditures for specified purposes.

### CITY OF SAN DIEGO

#### ACQUISITION, IMPROVEMENT AND OPERATIONS - BUDGETED

This fund accounts for various operating activities including business improvement areas, lighting and landscape maintenance areas, facilities financing, and the City's public art program. Revenues are derived from business tax surcharges, special assessments on property, various rents, concessions and fees.

#### SDCCU STADIUM OPERATIONS - BUDGETED

This fund accounts for the operations of the SDCCU Stadium. The Stadium is host to San Diego State University Aztecs football, the San Diego County Credit Union Holiday Bowl, and other special events. Revenues are derived from rents, concessions, parking, and advertising.

#### TRANSIENT OCCUPANCY TAX - BUDGETED

This fund was established to receive and expend transient occupancy taxes. Since 1964, a tax has been imposed on transients of hotel and motel rooms in the City of San Diego. Effective since August 1994, the tax rate is 10.5%.

#### UNDERGROUND SURCHARGE - BUDGETED

This fund was established to account for activities related to the undergrounding of utilities. This fund receives and disburses undergrounding surcharge revenue in accordance with the City's franchise agreements with SDG&E.

#### ZOOLOGICAL EXHIBITS - BUDGETED

This fund was established to collect monies from a fixed property tax levy authorized by Section 77a of the City Charter for the maintenance of zoological exhibits. These funds are remitted in accordance with a contractual agreement with the San Diego Zoological Society, a not-for-profit corporation independent from the City.

#### OTHER SPECIAL REVENUE - BUDGETED

This fund was established to account for revenues derived specifically for a variety of budgeted special programs administered by City departments such as Development Services, Planning and Police. Revenues in this fund are derived from service charges, revenues from other agencies, and fines.

#### GRANTS - UNBUDGETED

This fund was established to account for revenue received from federal, state and other governmental agencies. Expenditures are made and accounted for as prescribed by appropriate grant provisions/agreements.

#### LOW-MODERATE INCOME HOUSING - UNBUDGETED

This fund was established to account for affordable housing assets transferred from the Successor Agency to the Successor Housing Entity, which is the City, as required by California Health and Safety Code Section 34176(d), due to the dissolution of the Redevelopment Agency. This fund will also account for any future revenues generated from the housing assets.

**OTHER SPECIAL REVENUE - UNBUDGETED**

This fund was established to account for revenues earmarked for a variety of special programs administered by such City departments as Economic Development, Libraries, Parks and Recreation, and Police. Revenues in this fund are derived from such sources as parking fees, service charges, contributions from other agencies and private sources, and interest earnings.

**BLENDED COMPONENT UNITS****CIVIC SAN DIEGO**

Civic San Diego (CSD) is a not-for-profit public benefit corporation resulting from restructuring and reorganizing the former Centre City Development Corporation (CCDC) and the Southeastern Economic Development Corporation (SEDC) into a single corporation. CCDC and SEDC were originally established to administer certain redevelopment project areas throughout the City. Upon dissolution of the former San Diego Redevelopment Agency (former RDA), CSD's main function is now focused on providing administrative and advisory services to the City as the Successor Agency. CSD also assists the City with downtown parking management administration and affordable housing development.

**TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION**

This fund was established to account for the activities of the TSRFC. TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's special revenue fund is used to account for the expenditures incurred for administrative services provided by the City.

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING BALANCE SHEET**  
**June 30, 2018**  
**(Dollars in Thousands)**

	City of San Diego	Civic San Diego	Tobacco Settlement Revenue Funding Corporation	Total
<b>ASSETS</b>				
Cash and Investments .....	\$ 477,709	\$ 7,009	\$ —	\$ 484,718
Receivables:				
Taxes - Net of Allowance for Uncollectibles .....	26,973	—	—	26,973
Accounts - Net of Allowance for Uncollectibles .....	7,234	3,576	—	10,810
Special Assessments .....	121	—	—	121
Notes .....	265,041	—	—	265,041
Loans .....	180,472	—	—	180,472
Accrued Interest .....	1,058	—	—	1,058
Grants .....	22,272	—	—	22,272
Advances to Other Agencies .....	4,373	10	—	4,383
Land Held for Resale .....	20,778	—	—	20,778
Prepaid Items .....	192	3	—	195
Restricted Cash and Investments .....	3,846	—	200	4,046
<b>TOTAL ASSETS</b> .....	<b>\$ 1,010,069</b>	<b>\$ 10,598</b>	<b>\$ 200</b>	<b>\$ 1,020,867</b>
<b>LIABILITIES</b>				
Accounts Payable .....	\$ 37,673	\$ —	\$ —	\$ 37,673
Accrued Wages and Benefits .....	379	—	—	379
Other Accrued Liabilities .....	65	1,194	—	1,259
Due to Other Funds .....	20,918	—	—	20,918
Due to Other Agencies .....	10	—	—	10
Unearned Revenue .....	2,721	2,094	—	4,815
Advances from Other Funds .....	—	733	—	733
<b>TOTAL LIABILITIES</b> .....	<b>61,766</b>	<b>4,021</b>	<b>—</b>	<b>65,787</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Taxes .....	222	—	—	222
Unavailable Revenue - Grants .....	17,231	—	—	17,231
Unavailable Revenue - Other .....	6,194	—	—	6,194
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<b>23,647</b>	<b>—</b>	<b>—</b>	<b>23,647</b>
<b>FUND BALANCES</b>				
Nonspendable .....	192	14	—	206
Restricted .....	890,415	5,723	200	896,338
Committed .....	51,299	840	—	52,139
Unassigned .....	(17,250)	—	—	(17,250)
<b>TOTAL FUND BALANCES</b> .....	<b>924,656</b>	<b>6,577</b>	<b>200</b>	<b>931,433</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> .....	<b>\$ 1,010,069</b>	<b>\$ 10,598</b>	<b>\$ 200</b>	<b>\$ 1,020,867</b>

**NONNONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	City of San Diego	Civic San Diego	Tobacco Settlement Revenue Funding	Total
<b>REVENUES</b>				
Property Taxes .....	\$ 13,389	\$ —	\$ —	\$ 13,389
Special Assessments .....	63,870	—	—	63,870
Transient Occupancy Taxes .....	109,959	—	—	109,959
Franchises .....	63,977	—	—	63,977
Licenses and Permits .....	14,521	—	—	14,521
Fines, Forfeitures and Penalties .....	1,449	—	—	1,449
Revenue from Use of Money and Property .....	24,276	9	1	24,286
Revenue from Federal Agencies .....	42,177	—	—	42,177
Revenue from Other Agencies .....	4,470	520	—	4,990
Revenue from Private Sources .....	4,852	—	—	4,852
Charges for Current Services .....	16,965	9,296	—	26,261
Other Revenue .....	3,335	3	—	3,338
<b>TOTAL REVENUES</b> .....	<b>363,240</b>	<b>9,828</b>	<b>1</b>	<b>373,069</b>
<b>EXPENDITURES</b>				
Current:				
General Government and Support .....	15,365	10,197	42	25,604
Public Safety - Police .....	6,414	—	—	6,414
Public Safety - Fire and Life Safety and Homeland Security .....	12,347	—	—	12,347
Parks, Recreation, Culture and Leisure .....	147,276	—	—	147,276
Transportation .....	33,110	—	—	33,110
Sanitation and Health .....	3,548	—	—	3,548
Neighborhood Services .....	64,251	—	—	64,251
Capital Outlay .....	44,725	301	—	45,026
Debt Service:				
Principal Retirement .....	325	—	—	325
Interest .....	178	—	—	178
<b>TOTAL EXPENDITURES</b> .....	<b>327,539</b>	<b>10,498</b>	<b>42</b>	<b>338,079</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)</b> <b>EXPENDITURES</b> .....	<b>35,701</b>	<b>(670)</b>	<b>(41)</b>	<b>34,990</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds .....	24,927	—	200	25,127
Transfers to Proprietary Funds .....	(1,215)	—	—	(1,215)
Transfers to Other Funds .....	(80,180)	—	(159)	(80,339)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(56,468)</b>	<b>—</b>	<b>41</b>	<b>(56,427)</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(20,767)</b>	<b>(670)</b>	<b>—</b>	<b>(21,437)</b>
Fund Balances at Beginning of Year .....	945,423	7,247	200	952,870
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 924,656</b>	<b>\$ 6,577</b>	<b>\$ 200</b>	<b>\$ 931,433</b>

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	City of San Diego		Civic San Diego	
	Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget
<b>REVENUES</b>				
Property Taxes .....	\$ 13,253	\$ 13,188	\$ —	\$ —
Special Assessments .....	16,589	16,579	—	—
Sales Taxes .....	9,435	9,204	—	—
Transient Occupancy Taxes .....	109,959	110,828	—	—
Franchises .....	79,864	74,594	—	—
Other Local Taxes .....	41,889	38,638	—	—
Licenses and Permits .....	14,521	14,053	—	—
Fines, Forfeitures and Penalties .....	17	—	—	—
Revenue from Use of Money and Property .....	15,765	10,174	3	1
Revenue from Federal Agencies .....	271	3,340	—	—
Revenue from Other Agencies .....	3,441	195	520	1,100
Revenue from Private Sources .....	3,129	1,430	—	—
Charges for Current Services .....	151,818	168,799	10,067	25,704
Other Revenue .....	1,246	1,464	—	—
<b>TOTAL REVENUES</b> .....	<b>461,197</b>	<b>462,486</b>	<b>10,590</b>	<b>26,805</b>
<b>EXPENDITURES</b>				
Current:				
General Government and Support .....	121,058	135,050	10,372	26,469
Public Safety - Police .....	3,197	4,832	—	—
Public Safety - Fire and Life Safety and Homeland Security .....	6,486	8,998	—	—
Parks, Recreation, Culture and Leisure .....	121,258	148,081	—	—
Transportation .....	78,786	164,985	—	—
Sanitation and Health .....	2,166	7,533	—	—
Neighborhood Services .....	4,794	5,366	—	—
Capital Outlay .....	38,263	—	301	301
Debt Service:				
Principal Retirement .....	1,440	1,441	—	—
Interest .....	38	38	—	—
<b>TOTAL EXPENDITURES</b> .....	<b>377,486</b>	<b>476,324</b>	<b>10,673</b>	<b>26,770</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>83,711</b>	<b>(13,838)</b>	<b>(83)</b>	<b>35</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds .....	34,901	36,828	—	—
Transfers to Other Funds .....	(117,703)	(121,737)	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(82,802)</b>	<b>(84,909)</b>	<b>—</b>	<b>—</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>909</b>	<b>(98,747)</b>	<b>(83)</b>	<b>35</b>
Prior Year Encumbrances .....	5,235	5,235	—	—
Fund Balances at Beginning of Year .....	236,656	236,656	6,571	6,571
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 242,800</b>	<b>\$ 143,144</b>	<b>\$ 6,488</b>	<b>\$ 6,606</b>

CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING BALANCE SHEET  
June 30, 2018  
(Dollars in Thousands)

	Budgeted			
	Acquisition, Improvement and Operations	SDCCU Stadium Operations	Transient Occupancy Tax	Underground Surcharge
<b>ASSETS</b>				
Cash and Investments .....	\$ 27,835	\$ 9,816	\$ 3,028	\$ 165,933
Receivables:				
Taxes - Net of Allowance for Uncollectibles .....	—	—	11,162	15,479
Accounts - Net of Allowance for Uncollectibles .....	234	446	2,016	—
Special Assessments .....	93	—	—	—
Notes .....	—	—	—	—
Loans .....	—	—	—	—
Accrued Interest .....	59	29	5	383
Grants .....	—	—	—	—
Advances to Other Agencies .....	542	—	—	—
Land Held for Resale .....	—	—	—	—
Prepaid Items .....	—	—	6	—
Restricted Cash and Investments .....	—	—	—	—
<b>TOTAL ASSETS</b> .....	<b>\$ 28,763</b>	<b>\$ 10,291</b>	<b>\$ 16,217</b>	<b>\$ 181,795</b>
<b>LIABILITIES</b>				
Accounts Payable .....	\$ 2,053	\$ 261	\$ 3,808	\$ 7,649
Accrued Wages and Benefits .....	132	82	44	52
Other Accrued Liabilities .....	44	3	—	—
Due to Other Funds .....	—	—	4,913	—
Due to Other Agencies .....	—	—	—	—
Unearned Revenue .....	—	—	—	—
<b>TOTAL LIABILITIES</b> .....	<b>2,229</b>	<b>346</b>	<b>8,765</b>	<b>7,701</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Taxes .....	—	—	—	—
Unavailable Revenue - Grants .....	—	—	—	—
Unavailable Revenue - Other .....	234	446	1,316	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<b>234</b>	<b>446</b>	<b>1,316</b>	<b>—</b>
<b>FUND BALANCES</b>				
Nonspendable .....	—	—	6	—
Restricted .....	22,726	—	—	174,094
Committed .....	3,574	9,499	6,130	—
Unassigned .....	—	—	—	—
<b>TOTAL FUND BALANCES</b> .....	<b>26,300</b>	<b>9,499</b>	<b>6,136</b>	<b>174,094</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> .....	<b>\$ 28,763</b>	<b>\$ 10,291</b>	<b>\$ 16,217</b>	<b>\$ 181,795</b>



		Unbudgeted					
Zoological Exhibits	Other Special Revenue	Grants	Low-Moderate Income Housing	Other Special Revenue	Total		
\$ 8,166	\$ 21,413	\$ 2,460	\$ 53,958	\$ 185,100	\$ 477,709		
332	—	—	—	—	26,973		
—	44	1	—	4,493	7,234		
—	—	—	—	28	121		
—	—	—	262,773	2,268	265,041		
—	—	176,965	—	3,507	180,472		
—	63	30	123	366	1,058		
—	—	22,272	—	—	22,272		
—	—	—	—	3,831	4,373		
—	—	—	20,778	—	20,778		
—	—	—	3	183	192		
—	—	2,294	1,552	—	3,846		
<u>\$ 8,498</u>	<u>\$ 21,520</u>	<u>\$ 204,022</u>	<u>\$ 339,187</u>	<u>\$ 199,776</u>	<u>\$ 1,010,069</u>		
\$ 8,166	\$ 4,329	\$ 6,096	\$ 358	\$ 4,953	\$ 37,673		
—	69	—	—	—	379		
—	—	—	1	17	65		
—	—	15,986	—	19	20,918		
—	—	10	—	—	10		
—	—	2,460	—	261	2,721		
<u>8,166</u>	<u>4,398</u>	<u>24,552</u>	<u>359</u>	<u>5,250</u>	<u>61,766</u>		
222	—	—	—	—	222		
—	—	17,231	—	—	17,231		
—	44	—	—	4,154	6,194		
<u>222</u>	<u>44</u>	<u>17,231</u>	<u>—</u>	<u>4,154</u>	<u>23,647</u>		
—	—	—	3	183	192		
110	14,578	179,469	338,825	160,613	890,415		
—	2,500	—	—	29,596	51,299		
—	—	(17,230)	—	(20)	(17,250)		
<u>110</u>	<u>17,078</u>	<u>162,239</u>	<u>338,828</u>	<u>190,372</u>	<u>924,656</u>		
<u>\$ 8,498</u>	<u>\$ 21,520</u>	<u>\$ 204,022</u>	<u>\$ 339,187</u>	<u>\$ 199,776</u>	<u>\$ 1,010,069</u>		

**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Budgeted			
	Acquisition, Improvement and Operations	SDCCU Stadium Operations	Transient Occupancy Tax	Underground Surcharge
<b>REVENUES</b>				
Property Taxes .....	\$ —	\$ —	\$ —	\$ —
Special Assessments .....	16,589	—	—	—
Transient Occupancy Taxes .....	—	—	109,959	—
Franchises .....	—	—	—	63,872
Licenses and Permits .....	53	5	58	—
Fines, Forfeitures and Penalties .....	—	—	7	—
Revenue from Use of Money and Property .....	183	6,407	2,335	1,204
Revenue from Federal Agencies .....	—	—	—	—
Revenue from Other Agencies .....	—	—	—	—
Revenue from Private Sources .....	711	—	1,103	1,315
Charges for Current Services .....	5,278	1	—	—
Other Revenue .....	553	264	1	—
<b>TOTAL REVENUES</b> .....	<b>23,367</b>	<b>6,677</b>	<b>113,463</b>	<b>66,391</b>
<b>EXPENDITURES</b>				
Current:				
General Government and Support .....	3,574	—	—	—
Public Safety - Police .....	—	—	—	—
Public Safety - Fire and Life Safety and Homeland Security .....	—	—	—	—
Parks, Recreation, Culture and Leisure .....	17,637	10,040	63,065	—
Transportation .....	—	—	5	29,636
Sanitation and Health .....	—	—	—	—
Neighborhood Services .....	2,715	—	—	—
Capital Outlay .....	399	7	150	9,784
Debt Service:				
Principal Retirement .....	—	—	—	—
Interest .....	—	—	—	—
<b>TOTAL EXPENDITURES</b> .....	<b>24,325</b>	<b>10,047</b>	<b>63,220</b>	<b>39,420</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>(958)</b>	<b>(3,370)</b>	<b>50,243</b>	<b>26,971</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds .....	2,045	7,091	4,216	2
Transfers to Proprietary Funds .....	—	—	—	—
Transfers to Other Funds .....	(700)	(13,230)	(56,449)	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>1,345</b>	<b>(6,139)</b>	<b>(52,233)</b>	<b>2</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>387</b>	<b>(9,509)</b>	<b>(1,990)</b>	<b>26,973</b>
Fund Balances at Beginning of Year .....	25,913	19,008	8,126	147,121
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 26,300</b>	<b>\$ 9,499</b>	<b>\$ 6,136</b>	<b>\$ 174,094</b>

		Unbudgeted				
Zoological Exhibits	Other Special Revenue	Grants	Low-Moderate Income Housing	Other Special Revenue	Total	
\$ 13,253	\$ —	\$ —	\$ —	\$ 136	\$ 13,389	
—	—	—	—	47,281	63,870	
—	—	—	—	—	109,959	
—	—	—	—	105	63,977	
—	14,405	—	—	—	14,521	
—	—	—	—	1,442	1,449	
—	284	249	3,363	10,251	24,276	
—	271	41,906	—	—	42,177	
—	3,171	1,297	—	2	4,470	
—	—	—	92	1,631	4,852	
—	2,011	—	—	9,675	16,965	
—	13	756	1,474	274	3,335	
<u>13,253</u>	<u>20,155</u>	<u>44,208</u>	<u>4,929</u>	<u>70,797</u>	<u>363,240</u>	
—	4,881	5,469	—	1,441	15,365	
—	3,197	2,840	—	377	6,414	
—	604	11,638	—	105	12,347	
13,897	262	161	—	42,214	147,276	
—	3,309	139	—	21	33,110	
—	2,093	1,432	—	23	3,548	
—	2,079	36,532	1,902	21,023	64,251	
—	6,274	23,899	—	4,212	44,725	
—	—	—	—	325	325	
—	—	—	—	178	178	
<u>13,897</u>	<u>22,699</u>	<u>82,110</u>	<u>1,902</u>	<u>69,919</u>	<u>327,539</u>	
<u>(644)</u>	<u>(2,544)</u>	<u>(37,902)</u>	<u>3,027</u>	<u>878</u>	<u>35,701</u>	
—	166	2,000	—	9,407	24,927	
—	—	—	—	(1,215)	(1,215)	
—	(6,505)	—	—	(3,296)	(80,180)	
—	(6,339)	2,000	—	4,896	(56,468)	
<u>(644)</u>	<u>(8,883)</u>	<u>(35,902)</u>	<u>3,027</u>	<u>5,774</u>	<u>(20,767)</u>	
<u>754</u>	<u>25,961</u>	<u>198,141</u>	<u>335,801</u>	<u>184,598</u>	<u>945,423</u>	
<u>\$ 110</u>	<u>\$ 17,078</u>	<u>\$ 162,239</u>	<u>\$ 338,828</u>	<u>\$ 190,372</u>	<u>\$ 924,656</u>	

**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Acquisition, Improvement and Operations			SDCCU Stadium Operations		
	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>						
Property Taxes .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Special Assessments .....	16,589	16,579	10	—	—	—
Sales Taxes .....	—	—	—	—	—	—
Transient Occupancy Taxes .....	—	—	—	—	—	—
Franchises .....	—	—	—	—	—	—
Other Local Taxes .....	—	—	—	—	—	—
Licenses and Permits .....	53	50	3	5	8	(3)
Fines, Forfeitures and Penalties .....	—	—	—	—	—	—
Revenue from Use of Money and Property .....	283	80	203	6,446	2,973	3,473
Revenue from Federal Agencies .....	—	—	—	—	—	—
Revenue from Other Agencies .....	—	—	—	—	—	—
Revenue from Private Sources .....	711	—	711	—	—	—
Charges for Current Services .....	5,278	5,513	(235)	1	49	(48)
Other Revenue .....	633	—	633	264	1	263
<b>TOTAL REVENUES</b> .....	<b>23,547</b>	<b>22,222</b>	<b>1,325</b>	<b>6,716</b>	<b>3,031</b>	<b>3,685</b>
<b>EXPENDITURES</b>						
Current:						
General Government and Support .....	3,574	4,293	719	—	—	—
Public Safety - Police .....	—	—	—	—	—	—
Public Safety - Fire and Life Safety and Homeland Security ..	—	—	—	—	—	—
Parks, Recreation, Culture and Leisure .....	17,851	36,415	18,564	10,040	11,422	1,382
Transportation .....	—	—	—	—	—	—
Sanitation and Health .....	—	—	—	—	—	—
Neighborhood Services .....	2,715	2,716	1	—	—	—
Capital Outlay .....	399	—	(399)	7	—	(7)
Debt Service:						
Principal Retirement .....	—	—	—	—	—	—
Interest .....	—	—	—	—	—	—
<b>TOTAL EXPENDITURES</b> .....	<b>24,539</b>	<b>43,424</b>	<b>18,885</b>	<b>10,047</b>	<b>11,422</b>	<b>1,375</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)</b> <b>EXPENDITURES</b> .....	<b>(992)</b>	<b>(21,202)</b>	<b>20,210</b>	<b>(3,331)</b>	<b>(8,391)</b>	<b>5,060</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers from Other Funds .....	2,045	1,983	62	7,091	10,814	(3,723)
Transfers to Other Funds .....	(700)	(892)	192	(13,230)	(13,255)	25
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>1,345</b>	<b>1,091</b>	<b>254</b>	<b>(6,139)</b>	<b>(2,441)</b>	<b>(3,698)</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>353</b>	<b>(20,111)</b>	<b>20,464</b>	<b>(9,470)</b>	<b>(10,832)</b>	<b>1,362</b>
Prior Year Encumbrances .....	438	438	—	—	—	—
Fund Balances at Beginning of Year .....	25,077	25,077	—	19,050	19,050	—
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 25,868</b>	<b>\$ 5,404</b>	<b>\$ 20,464</b>	<b>\$ 9,580</b>	<b>\$ 8,218</b>	<b>\$ 1,362</b>

**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Transient Occupancy Tax			Underground Surcharge		
	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>						
Property Taxes .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Special Assessments .....	—	—	—	—	—	—
Sales Taxes .....	—	—	—	—	—	—
Transient Occupancy Taxes .....	109,959	110,828	(869)	—	—	—
Franchises .....	—	—	—	63,872	59,750	4,122
Other Local Taxes .....	—	—	—	—	—	—
Licenses and Permits .....	58	75	(17)	—	—	—
Fines, Forfeitures and Penalties .....	7	—	7	—	—	—
Revenue from Use of Money and Property .....	2,346	1,852	494	1,955	814	1,141
Revenue from Federal Agencies .....	—	—	—	—	—	—
Revenue from Other Agencies .....	—	—	—	—	—	—
Revenue from Private Sources .....	1,103	1,430	(327)	1,315	—	1,315
Charges for Current Services .....	—	—	—	—	—	—
Other Revenue .....	1	—	1	—	—	—
<b>TOTAL REVENUES</b> .....	<b>113,474</b>	<b>114,185</b>	<b>(711)</b>	<b>67,142</b>	<b>60,564</b>	<b>6,578</b>
<b>EXPENDITURES</b>						
Current:						
General Government and Support .....	—	—	—	—	2,289	2,289
Public Safety - Police .....	—	—	—	—	—	—
Public Safety - Fire and Life Safety and Homeland Security ..	—	—	—	—	—	—
Parks, Recreation, Culture and Leisure .....	63,065	66,022	2,957	—	—	—
Transportation .....	5	5	—	29,636	84,324	54,688
Sanitation and Health .....	—	—	—	—	—	—
Neighborhood Services .....	—	—	—	—	—	—
Capital Outlay .....	150	—	(150)	14,660	—	(14,660)
Debt Service:						
Principal Retirement .....	—	—	—	—	—	—
Interest .....	—	—	—	—	—	—
<b>TOTAL EXPENDITURES</b> .....	<b>63,220</b>	<b>66,027</b>	<b>2,807</b>	<b>44,296</b>	<b>86,613</b>	<b>42,317</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<b>50,254</b>	<b>48,158</b>	<b>2,096</b>	<b>22,846</b>	<b>(26,049)</b>	<b>48,895</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers from Other Funds .....	4,216	4,671	(455)	2	—	2
Transfers to Other Funds .....	(56,449)	(56,938)	489	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(52,233)</b>	<b>(52,267)</b>	<b>34</b>	<b>2</b>	<b>—</b>	<b>2</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(1,979)</b>	<b>(4,109)</b>	<b>2,130</b>	<b>22,848</b>	<b>(26,049)</b>	<b>48,897</b>
Prior Year Encumbrances .....	—	—	—	4,797	4,797	—
Fund Balances at Beginning of Year .....	8,132	8,132	—	142,324	142,324	—
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 6,153</b>	<b>\$ 4,023</b>	<b>\$ 2,130</b>	<b>\$ 169,969</b>	<b>\$ 121,072</b>	<b>\$ 48,897</b>

(Continued on Next Page)

**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Zoological Exhibits			Other Special Revenue <sup>1</sup>		
	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>						
Property Taxes .....	\$ 13,253	\$ 13,188	\$ 65	\$ —	\$ —	\$ —
Special Assessments .....	—	—	—	—	—	—
Sales Taxes .....	—	—	—	9,435	9,204	231
Transient Occupancy Taxes .....	—	—	—	—	—	—
Franchises .....	—	—	—	15,992	14,844	1,148
Other Local Taxes .....	—	—	—	41,889	38,638	3,251
Licenses and Permits .....	—	—	—	14,405	13,920	485
Fines, Forfeitures and Penalties .....	—	—	—	10	—	10
Revenue from Use of Money and Property .....	—	—	—	4,735	4,455	280
Revenue from Federal Agencies .....	—	—	—	271	3,340	(3,069)
Revenue from Other Agencies .....	—	—	—	3,441	195	3,246
Revenue from Private Sources .....	—	—	—	—	—	—
Charges for Current Services .....	—	—	—	146,539	163,237	(16,698)
Other Revenue .....	—	—	—	348	1,463	(1,115)
<b>TOTAL REVENUES</b> .....	<b>13,253</b>	<b>13,188</b>	<b>65</b>	<b>237,065</b>	<b>249,296</b>	<b>(12,231)</b>
<b>EXPENDITURES</b>						
Current:						
General Government and Support .....	—	—	—	117,484	128,468	10,984
Public Safety - Police .....	—	—	—	3,197	4,832	1,635
Public Safety - Fire and Life Safety and Homeland Security ..	—	—	—	6,486	8,998	2,512
Parks, Recreation, Culture and Leisure .....	13,897	13,897	—	16,405	20,325	3,920
Transportation .....	—	—	—	49,145	80,656	31,511
Sanitation and Health .....	—	—	—	2,166	7,533	5,367
Neighborhood Services .....	—	—	—	2,079	2,650	571
Capital Outlay .....	—	—	—	23,047	—	(23,047)
Debt Service:						
Principal Retirement .....	—	—	—	1,440	1,441	1
Interest .....	—	—	—	38	38	—
<b>TOTAL EXPENDITURES</b> .....	<b>13,897</b>	<b>13,897</b>	<b>—</b>	<b>221,487</b>	<b>254,941</b>	<b>33,454</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER</b>						
<b>EXPENDITURES</b> .....	<b>(644)</b>	<b>(709)</b>	<b>65</b>	<b>15,578</b>	<b>(5,645)</b>	<b>21,223</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers from Other Funds .....	—	—	—	21,547	19,360	2,187
Transfers to Other Funds .....	—	—	—	(47,324)	(50,652)	3,328
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>—</b>	<b>—</b>	<b>—</b>	<b>(25,777)</b>	<b>(31,292)</b>	<b>5,515</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(644)</b>	<b>(709)</b>	<b>65</b>	<b>(10,199)</b>	<b>(36,937)</b>	<b>26,738</b>
Prior Year Encumbrances .....	—	—	—	—	—	—
Fund Balances at Beginning of Year .....	754	754	—	41,319	41,319	—
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 110</b>	<b>\$ 45</b>	<b>\$ 65</b>	<b>\$ 31,120</b>	<b>\$ 4,382</b>	<b>\$ 26,738</b>

<sup>1</sup> Amounts include funds that do not meet the criteria to be classified as special revenue funds pursuant to GASB Statement No. 54, which are included with the General Fund in the Governmental Funds financial statements prepared on a GAAP basis.



**NONMAJOR GOVERNMENTAL FUNDS  
DEBT SERVICE**







## DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for general long-term debt principal, interest, and related costs.

### **BLENDED COMPONENT UNITS**

#### CONVENTION CENTER EXPANSION FINANCING AUTHORITY (CCEFA)

This fund was established to account for the debt service activities of the CCEFA. CCEFA, created by the City and the Port of San Diego, facilitates the financing, acquisition and construction of an expansion to the San Diego Convention Center. CCEFA's debt service fund is used to account for the payment of long-term debt principal and interest.

#### PUBLIC FACILITIES FINANCING AUTHORITY (PFFA)

This fund was established to account for the debt service activities of the PFFA. PFFA, a joint powers authority consisting of the City, the Successor Agency and the Housing Authority of the City of San Diego, facilitates the financing, acquisition and construction of public capital facility improvements. PFFA's debt service fund is used to account for the payment of long-term debt principal and interest.

#### TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION (TSRFC)

This fund was established to account for the debt service activities of the TSRFC. TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's debt service fund is used to account for the payment of long-term debt principal and interest.

**NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE**  
**COMBINING BALANCE SHEET**  
 June 30, 2018  
 (Dollars in Thousands)

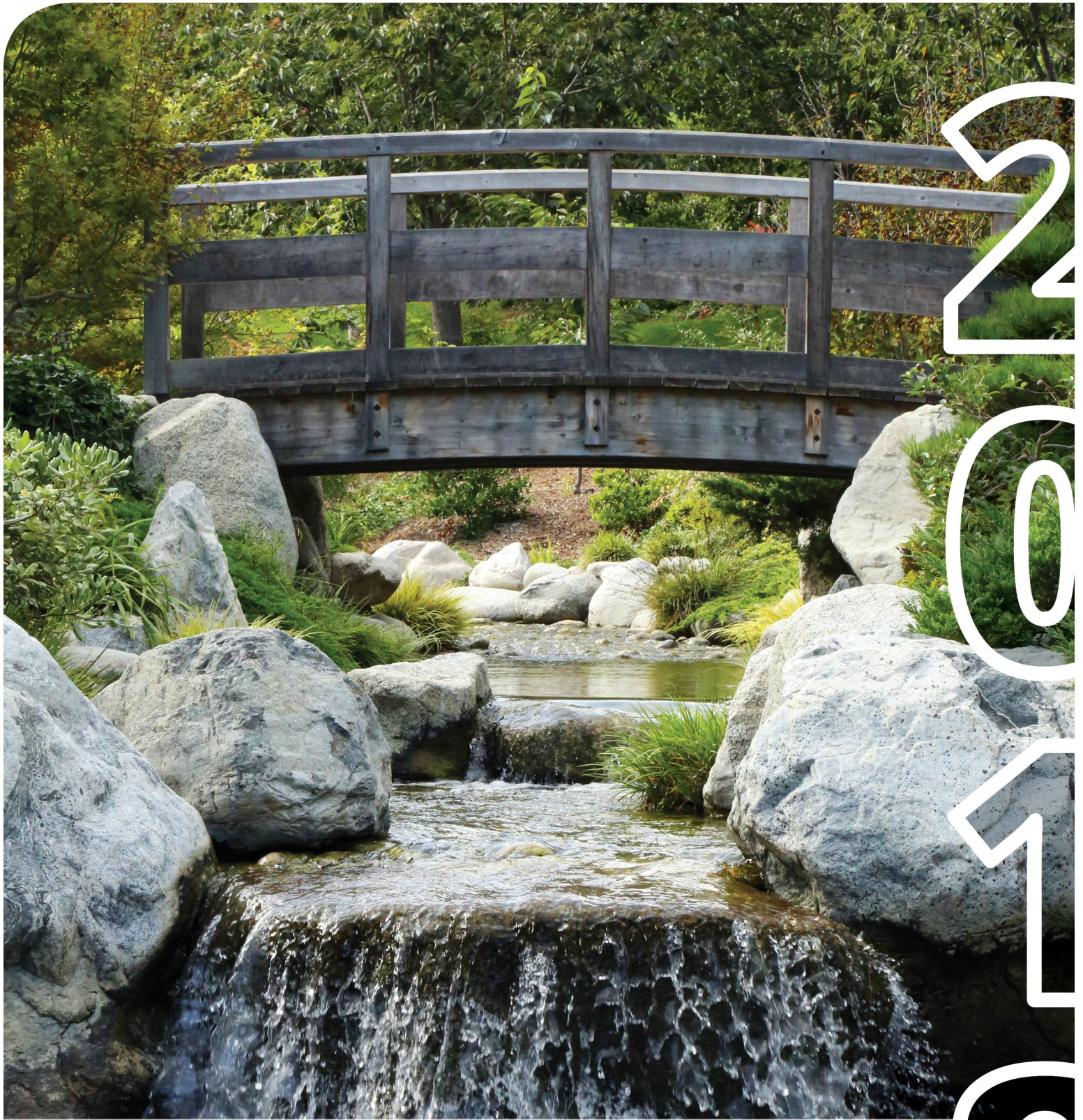
	Convention Center Expansion Financing Authority	Public Facilities Financing Authority	Tobacco Settlement Revenue Funding Corporation	Total
<b>ASSETS</b>				
Cash and Investments .....	\$ —	\$ 4	\$ 1	\$ 5
Receivables:				
Accounts .....	—	—	4,718	4,718
Accrued Interest .....	—	10	2	12
Restricted Cash and Investments .....	—	213	11,926	12,139
<b>TOTAL ASSETS</b> .....	<u>\$ —</u>	<u>\$ 227</u>	<u>\$ 16,647</u>	<u>\$ 16,874</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Other .....	\$ —	\$ —	\$ 4,718	\$ 4,718
<b>FUND BALANCES</b>				
Restricted .....	—	227	11,929	12,156
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> .....	<u>\$ —</u>	<u>\$ 227</u>	<u>\$ 16,647</u>	<u>\$ 16,874</u>

**NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Convention Center Expansion Financing Authority	Public Facilities Financing Authority	Tobacco Settlement Revenue Funding Corporation	Total
<b>REVENUES</b>				
Revenue from Use of Money and Property .....	\$ —	\$ 138	\$ 520	\$ 658
Revenue from Other Agencies .....	—	—	10,952	10,952
<b>TOTAL REVENUES</b> .....	<b>—</b>	<b>138</b>	<b>11,472</b>	<b>11,610</b>
<b>EXPENDITURES</b>				
Debt Service:				
Principal Retirement .....	7,510	16,525	8,910	32,945
Cost of Issuance .....	—	438	1,062	1,500
Interest .....	5,046	31,660	10,307	47,013
Payment to Refunded Bond Escrow Agent .....	—	13,125	—	13,125
<b>TOTAL EXPENDITURES</b> .....	<b>12,556</b>	<b>61,748</b>	<b>20,279</b>	<b>94,583</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b> .....	<b>(12,556)</b>	<b>(61,610)</b>	<b>(8,807)</b>	<b>(82,973)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds .....	12,556	38,995	159	51,710
Transfers to Other Funds .....	—	—	(661)	(661)
Payment to Refunded Bond Escrow Agent .....	—	(119,425)	(64,320)	(183,745)
Revenue Bonds Issued .....	—	129,320	—	129,320
Tobacco Settlement Bonds Issued .....	—	—	73,784	73,784
Discount on Bonds Issued .....	—	(204)	—	(204)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>12,556</b>	<b>48,686</b>	<b>8,962</b>	<b>70,204</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>—</b>	<b>(12,924)</b>	<b>155</b>	<b>(12,769)</b>
Fund Balances at Beginning of Year .....	—	13,151	11,774	24,925
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ —</b>	<b>\$ 227</b>	<b>\$ 11,929</b>	<b>\$ 12,156</b>



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**NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS**





## CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities.

### CITY OF SAN DIEGO

#### TRANSNET - BUDGETED

This fund was established to account for transportation improvements funded by the 2009 extension of a local sales tax approved by voters in the County of San Diego. Funds are used to relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

#### CAPITAL OUTLAY - BUDGETED

This fund was established to account for capital improvements per Sections 55.2 and 77 of the City Charter. This fund includes a variety of capital projects including, but not limited to, building improvements to city facilities, park improvements, and street improvements. Revenues in this fund are derived from the sale of City-owned real property and Mission Bay Park lease revenues.

#### CAPITAL GRANTS - UNBUDGETED

This fund was established to account for capital grants from Federal, State and other governmental agencies.

#### PARKS & RECREATION DISTRICTS - UNBUDGETED

This fund was established to account for park fees collected at the time of subdivision or permit issuance and is mandated per the City of San Diego Municipal Code. Fee assessments are only to be used for park purposes within a Community Park Service District to purchase land, facilities, or reimburse those who have donated more than their proportionate responsibilities.

#### FACILITIES BENEFIT ASSESSMENTS - UNBUDGETED

This fund was established to account for building permit fees collected at the time of permit issuance and is mandated by the City Charter. Fee assessments are only to be used in the community the assessments are collected and are the primary source of project funding, excluding maintenance costs.

#### IMPACT FEES - UNBUDGETED

This fund was established to account for building permit fees collected at the time of permit issuance and has specific State reporting requirements. Fee assessments are only to be used in the community the assessments are collected and are not the primary source of project funding and exclude maintenance costs.

#### SPECIAL ASSESSMENT/SPECIAL TAX BONDS - UNBUDGETED

This fund was established to account for Community Facilities Districts and Special Assessment Districts, which under various sections of State law, issue limited obligation bonds to finance infrastructure facilities and other public improvements necessary to facilitate development of the properties within each district. The bonds are secured solely by the properties within each district, and are repaid through revenues generated by the annual levy of special taxes or special assessments on the benefiting properties.

#### TRANSNET - UNBUDGETED

This fund was established to account for transportation improvements funded by local sales tax approved by voters in the County of San Diego, as well as developer impact fees under the SANDAG administered TransNet Program. Funds are used to relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

**CAPITAL OUTLAY - UNBUDGETED**

This fund was established to account for the acquisition, construction and completion of permanent public improvements and real property. This fund also accounts for a variety of capital projects including, but not limited to, park and street improvements, and the construction of public facilities in new development areas. Revenues in this fund are derived from developer contributions, private donations, special assessments, special taxes, fees, leases, and interest derived there from.

**BLENDED COMPONENT UNITS****PUBLIC FACILITIES FINANCING AUTHORITY (PFFA)**

This fund was established to account for the capital improvement acquisition and construction activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City and the former Redevelopment Agency, facilitates the financing and construction of public capital improvements. PFFA's current members are the City, the Successor Agency and the Housing Authority of the City of San Diego. Revenues are derived from the issuance of bonds and interest earnings on investments.

**TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION (TSRFC)**

This fund was established to account for the capital improvement activities of the TSRFC. TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement.





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**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING BALANCE SHEET**  
 June 30, 2018  
 (Dollars in Thousands)

	City of San Diego	Public Facilities Financing Authority	Tobacco Settlement Revenue Funding Corporation	Total
<b>ASSETS</b>				
Cash and Investments .....	\$ 658,259	\$ —	\$ 900	\$ 659,159
Receivables:				
Taxes - Net of Allowance for Uncollectibles .....	32,752	—	—	32,752
Accounts - Net of Allowance for Uncollectibles .....	5,267	—	—	5,267
Claims .....	30,380	—	—	30,380
Loans .....	—	—	—	—
Accrued Interest .....	1,295	7	74	1,376
Grants .....	3,926	—	—	3,926
Advances to Other Agencies .....	11	—	—	11
Restricted Cash and Investments .....	16,654	9,256	22,597	48,507
<b>TOTAL ASSETS</b> .....	<u>\$ 748,544</u>	<u>\$ 9,263</u>	<u>\$ 23,571</u>	<u>\$ 781,378</u>
<b>LIABILITIES</b>				
Accounts Payable .....	\$ 26,335	\$ 3,285	\$ —	\$ 29,620
Due to Other Funds .....	2,781	3,418	—	6,199
Due to Other Agencies .....	13	—	—	13
Unearned Revenue .....	17,775	—	—	17,775
<b>TOTAL LIABILITIES</b> .....	<u>46,904</u>	<u>6,703</u>	<u>—</u>	<u>53,607</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Taxes .....	32,558	—	—	32,558
Unavailable Revenue - Grants .....	2,209	—	—	2,209
Unavailable Revenue - Other .....	2,348	—	—	2,348
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<u>37,115</u>	<u>—</u>	<u>—</u>	<u>37,115</u>
<b>FUND BALANCES</b>				
Restricted .....	643,544	4,033	23,571	671,148
Committed .....	45,772	—	—	45,772
Unassigned .....	(24,791)	(1,473)	—	(26,264)
<b>TOTAL FUND BALANCES</b> .....	<u>664,525</u>	<u>2,560</u>	<u>23,571</u>	<u>690,656</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> .....	<u>\$ 748,544</u>	<u>\$ 9,263</u>	<u>\$ 23,571</u>	<u>\$ 781,378</u>

**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	City of San Diego	Public Facilities Financing Authority	Tobacco Settlement Revenue Funding Corporation	Total
<b>REVENUES</b>				
Sales Taxes .....	\$ 31,702	\$ —	\$ —	\$ 31,702
Licenses and Permits .....	71,995	—	—	71,995
Revenue from Use of Money and Property .....	5,558	409	106	6,073
Revenue from Federal Agencies .....	10,106	—	—	10,106
Revenue from Other Agencies .....	9,716	—	—	9,716
Revenue from Private Sources .....	2,593	—	—	2,593
Charges for Current Services .....	77	—	—	77
Other Revenue .....	730	—	—	730
<b>TOTAL REVENUES</b> .....	<b>132,477</b>	<b>409</b>	<b>106</b>	<b>132,992</b>
<b>EXPENDITURES</b>				
Current:				
General Government and Support .....	3,931	—	—	3,931
Parks, Recreation, Culture and Leisure .....	7,202	—	—	7,202
Transportation .....	20,982	2	—	20,984
Sanitation and Health .....	580	1	—	581
Neighborhood Services .....	77	—	—	77
Capital Outlay .....	129,613	43,402	606	173,621
Debt Service:				
Principal Retirement .....	633	—	—	633
Interest .....	90	—	—	90
<b>TOTAL EXPENDITURES</b> .....	<b>163,108</b>	<b>43,405</b>	<b>606</b>	<b>207,119</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(30,631)</b>	<b>(42,996)</b>	<b>(500)</b>	<b>(74,127)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Proprietary Funds .....	61	—	—	61
Transfers from Other Funds .....	18,932	—	—	18,932
Transfers to Other Funds .....	(15,695)	(1,445)	—	(17,140)
Proceeds from the Sale of Capital Assets .....	2,037	—	—	2,037
Capital Lease Proceeds .....	16,191	—	—	16,191
Tobacco Settlement Bonds Issued .....	—	—	24,071	24,071
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>21,526</b>	<b>(1,445)</b>	<b>24,071</b>	<b>44,152</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(9,105)</b>	<b>(44,441)</b>	<b>23,571</b>	<b>(29,975)</b>
Fund Balances at Beginning of Year .....	673,630	47,001	—	720,631
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 664,525</b>	<b>\$ 2,560</b>	<b>\$ 23,571</b>	<b>\$ 690,656</b>

CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
COMBINING BALANCE SHEET  
June 30, 2018  
(Dollars in Thousands)

	Budgeted	
	TransNet	Capital Outlay
<b>ASSETS</b>		
Cash and Investments .....	\$ 4,159	\$ 85,721
Receivables:		
Taxes - Net of Allowance for Uncollectibles .....	32,752	—
Accounts - Net of Allowance for Uncollectibles .....	—	1,565
Claims .....	—	—
Accrued Interest .....	11	102
Grants .....	—	—
Advances to Other Agencies .....	—	—
Restricted Cash and Investments .....	—	—
<b>TOTAL ASSETS</b> .....	<b>\$ 36,922</b>	<b>\$ 87,388</b>
<b>LIABILITIES</b>		
Accounts Payable .....	\$ 4,314	\$ 2,779
Due to Other Funds .....	—	—
Due to Other Agencies .....	—	—
Unearned Revenue .....	—	—
<b>TOTAL LIABILITIES</b> .....	<b>4,314</b>	<b>2,779</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue - Taxes .....	32,558	—
Unavailable Revenue - Grants .....	—	—
Unavailable Revenue - Other .....	—	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<b>32,558</b>	<b>—</b>
<b>FUND BALANCES</b>		
Restricted .....	50	84,609
Committed .....	—	—
Unassigned .....	—	—
<b>TOTAL FUND BALANCES (DEFICIT)</b> .....	<b>50</b>	<b>84,609</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> .....	<b>\$ 36,922</b>	<b>\$ 87,388</b>

Unbudgeted								
Capital Grants	Parks & Recreation Districts	Facilities Benefit Assessments	Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Capital Outlay	Total	
\$ 26	\$ 4,411	\$ 270,670	\$ 149,596	\$ 477	\$ 22,208	\$ 120,991	\$ 658,259	
—	—	—	—	—	—	—	32,752	
—	—	—	41	—	17	3,644	5,267	
—	—	—	—	—	—	30,380	30,380	
—	10	621	341	1	50	159	1,295	
3,926	—	—	—	—	—	—	3,926	
—	—	—	—	—	—	11	11	
—	—	—	—	—	—	16,654	16,654	
<u>\$ 3,952</u>	<u>\$ 4,421</u>	<u>\$ 271,291</u>	<u>\$ 149,978</u>	<u>\$ 478</u>	<u>\$ 22,275</u>	<u>\$ 171,839</u>	<u>\$ 748,544</u>	
\$ 1,132	\$ 4	\$ 4,047	\$ 1,998	\$ —	\$ 99	\$ 11,962	\$ 26,335	
2,781	—	—	—	—	—	—	2,781	
13	—	—	—	—	—	—	13	
26	—	—	—	—	249	17,500	17,775	
<u>3,952</u>	<u>4</u>	<u>4,047</u>	<u>1,998</u>	<u>—</u>	<u>348</u>	<u>29,462</u>	<u>46,904</u>	
—	—	—	—	—	—	—	32,558	
2,209	—	—	—	—	—	—	2,209	
—	—	—	41	—	17	2,290	2,348	
<u>2,209</u>	<u>—</u>	<u>—</u>	<u>41</u>	<u>—</u>	<u>17</u>	<u>2,290</u>	<u>37,115</u>	
—	4,417	267,244	147,939	478	21,910	116,897	643,544	
—	—	—	—	—	—	45,772	45,772	
(2,209)	—	—	—	—	—	(22,582)	(24,791)	
<u>(2,209)</u>	<u>4,417</u>	<u>267,244</u>	<u>147,939</u>	<u>478</u>	<u>21,910</u>	<u>140,087</u>	<u>664,525</u>	
<u>\$ 3,952</u>	<u>\$ 4,421</u>	<u>\$ 271,291</u>	<u>\$ 149,978</u>	<u>\$ 478</u>	<u>\$ 22,275</u>	<u>\$ 171,839</u>	<u>\$ 748,544</u>	

**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Fiscal Year Ended June 30, 2018  
(Dollars in Thousands)**

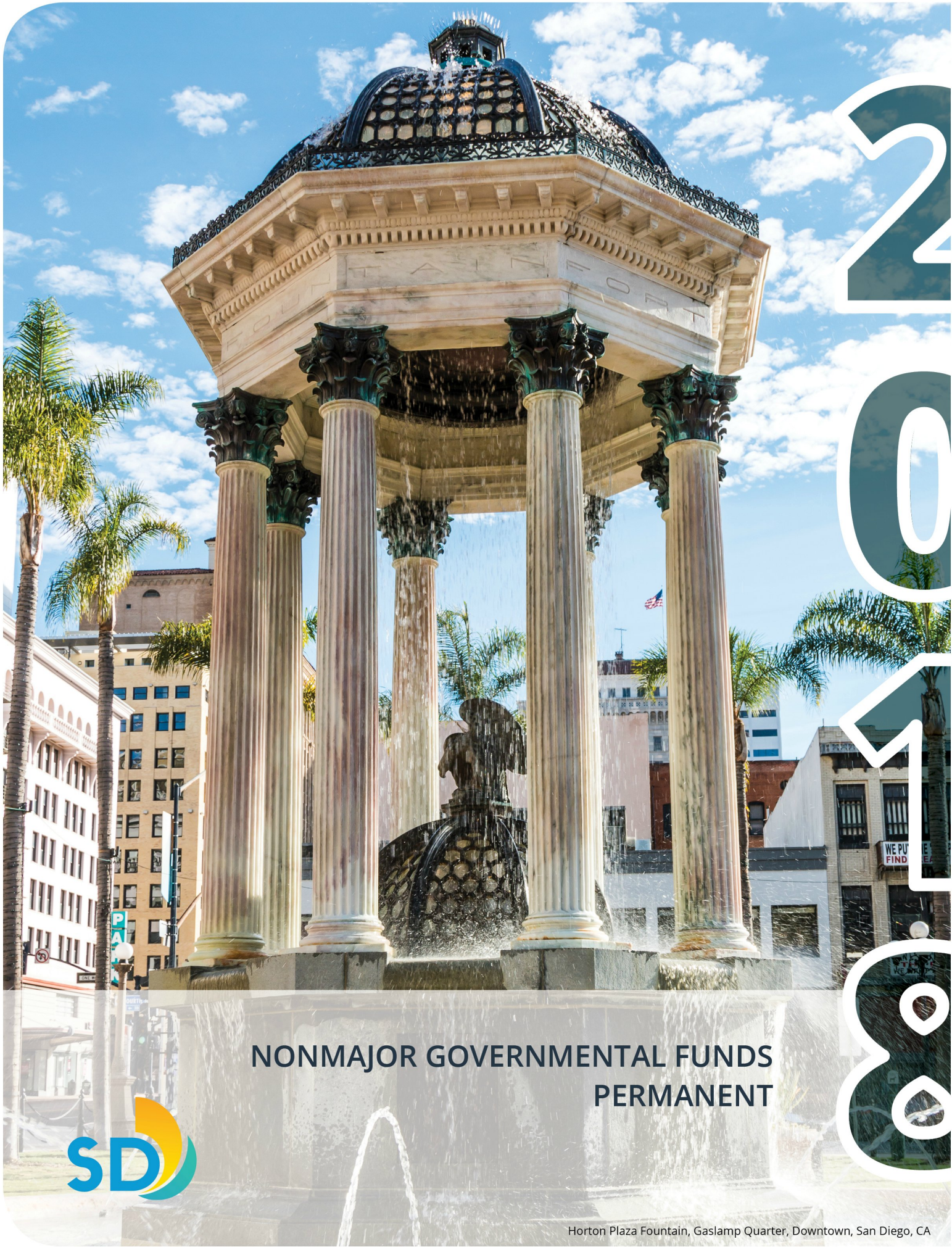
	Budgeted	
	TransNet	Capital Outlay
<b>REVENUES</b>		
Sales Taxes .....	\$ 31,702	\$ —
Licenses and Permits .....	—	—
Revenue from Use of Money and Property .....	46	429
Revenue from Federal Agencies .....	—	—
Revenue from Other Agencies .....	—	—
Revenue from Private Sources .....	—	—
Charges for Current Services .....	—	—
Other Revenue .....	—	—
<b>TOTAL REVENUES</b> .....	<b>31,748</b>	<b>429</b>
<b>EXPENDITURES</b>		
Current:		
General Government and Support .....	289	—
Parks, Recreation, Culture and Leisure .....	—	6,962
Transportation .....	6,244	—
Sanitation and Health .....	—	1
Neighborhood Services .....	—	—
Capital Outlay .....	19,079	5,548
Debt Service:		
Principal Retirement .....	—	—
Interest .....	—	—
<b>TOTAL EXPENDITURES</b> .....	<b>25,612</b>	<b>12,511</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<b>6,136</b>	<b>(12,082)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from Proprietary Funds .....	—	—
Transfers from Other Funds .....	—	12,637
Transfers to Other Funds .....	(9,644)	(6,051)
Proceeds from the Sale of Capital Assets .....	—	2,037
Capital Lease Proceeds .....	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(9,644)</b>	<b>8,623</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(3,508)</b>	<b>(3,459)</b>
Fund Balances (Deficit) at Beginning of Year .....	3,558	88,068
<b>FUND BALANCES (DEFICIT) AT END OF YEAR</b> .....	<b>\$ 50</b>	<b>\$ 84,609</b>

Unbudgeted							
Capital Grants	Parks & Recreation Districts	Facilities Benefit Assessments	Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Capital Outlay	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 31,702
—	—	33,451	32,159	—	6,312	73	71,995
—	39	2,268	1,184	4	169	1,419	5,558
10,106	—	—	—	—	—	—	10,106
8,425	—	—	—	—	—	1,291	9,716
—	—	—	—	—	—	2,593	2,593
—	—	—	—	—	—	77	77
—	—	—	—	—	—	730	730
<u>18,531</u>	<u>39</u>	<u>35,719</u>	<u>33,343</u>	<u>4</u>	<u>6,481</u>	<u>6,183</u>	<u>132,477</u>
—	—	1,404	1,694	—	122	422	3,931
—	—	52	21	—	—	167	7,202
—	—	663	—	—	20	14,055	20,982
—	—	106	—	—	—	473	580
—	—	8	—	—	—	69	77
11,137	334	28,588	15,839	—	4,890	44,198	129,613
—	—	—	—	—	—	633	633
—	—	—	—	—	—	90	90
<u>11,137</u>	<u>334</u>	<u>30,821</u>	<u>17,554</u>	<u>—</u>	<u>5,032</u>	<u>60,107</u>	<u>163,108</u>
<u>7,394</u>	<u>(295)</u>	<u>4,898</u>	<u>15,789</u>	<u>4</u>	<u>1,449</u>	<u>(53,924)</u>	<u>(30,631)</u>
—	—	—	—	—	—	61	61
52	—	—	—	—	—	6,243	18,932
—	—	—	—	—	—	—	(15,695)
—	—	—	—	—	—	—	2,037
—	—	—	—	—	—	16,191	16,191
<u>52</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22,495</u>	<u>21,526</u>
7,446	(295)	4,898	15,789	4	1,449	(31,429)	(9,105)
(9,655)	4,712	262,346	132,150	474	20,461	171,516	673,630
<u>\$ (2,209)</u>	<u>\$ 4,417</u>	<u>\$ 267,244</u>	<u>\$ 147,939</u>	<u>\$ 478</u>	<u>\$ 21,910</u>	<u>\$ 140,087</u>	<u>\$ 664,525</u>

**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	TransNet			Capital Outlay		
	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>						
Sales Taxes .....	\$ 31,702	\$ 32,473	\$ (771)	\$ —	\$ —	\$ —
Revenue from Use of Money and Property .....	62	—	62	622	—	622
<b>TOTAL REVENUES</b> .....	<b>31,764</b>	<b>32,473</b>	<b>(709)</b>	<b>622</b>	<b>—</b>	<b>622</b>
<b>EXPENDITURES</b>						
Current:						
General Government and Support .....	289	307	18	—	11,109	11,109
Public Safety - Fire and Life Safety and Homeland Security .....	—	—	—	—	1,595	1,595
Parks, Recreation, Culture and Leisure .....	—	2,570	2,570	6,962	63,606	56,644
Transportation .....	6,244	48,999	42,755	—	4,010	4,010
Sanitation and Health .....	—	6,230	6,230	1	2,727	2,726
Neighborhood Services .....	—	(10)	(10)	—	8	8
Capital Outlay .....	31,546	—	(31,546)	15,142	—	(15,142)
<b>TOTAL EXPENDITURES</b> .....	<b>38,079</b>	<b>58,096</b>	<b>20,017</b>	<b>22,105</b>	<b>83,055</b>	<b>60,950</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b> .....	<b>(6,315)</b>	<b>(25,623)</b>	<b>19,308</b>	<b>(21,483)</b>	<b>(83,055)</b>	<b>61,572</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers from Other Funds .....	—	—	—	12,637	11,157	1,480
Transfers to Other Funds .....	(9,644)	(9,644)	—	(6,051)	(6,051)	—
Proceeds from the Sale of Capital Assets .....	—	—	—	2,037	—	2,037
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(9,644)</b>	<b>(9,644)</b>	<b>—</b>	<b>8,623</b>	<b>5,106</b>	<b>3,517</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(15,959)</b>	<b>(35,267)</b>	<b>19,308</b>	<b>(12,860)</b>	<b>(77,949)</b>	<b>65,089</b>
Prior Year Encumbrances .....	8,465	8,465	—	2,854	2,854	—
Fund Balances (Deficit) at Beginning of Year .....	(4,907)	(4,907)	—	85,214	85,214	—
<b>FUND BALANCES (DEFICIT) AT END OF YEAR</b> .....	<b>\$ (12,401)</b>	<b>\$ (31,709)</b>	<b>\$ 19,308</b>	<b>\$ 75,208</b>	<b>\$ 10,119</b>	<b>\$ 65,089</b>





2014

**NONMAJOR GOVERNMENTAL FUNDS  
PERMANENT**



Horton Plaza Fountain, Gaslamp Quarter, Downtown, San Diego, CA



## PERMANENT FUNDS

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs (i.e., for the benefit of the City or its citizens).

### CARROLL CANYON VERNAL POOL MITIGATION

This fund was established to account for an endowment from the San Diego Unified School District (The District). The endowment is to be used to implement a Memorandum of Understanding between the City and the District for biological mitigation, park land and joint use facilities involving Salk Elementary School, McAuliffe Community Park, and the Carroll Canyon Vernal Pool Preserve.

### CEMETERY PERPETUITY

This fund was established to account for the Mt. Hope Cemetery endowment. Investment earnings derived from the endowment supplement grave sales revenues in order to finance cemetery operations.

### LIBRARY ENDOWMENTS

This fund includes the Effie Sergeant endowment, which was established to account for donations to benefit the North Park library branch, and the Scripps Ranch Library endowment. Investment earnings are used to finance library services and programs.

### LOS PENASQUITOS CANYON

This fund was established to account for the Los Penasquitos Canyon Preserve Trust Fund. Investment earnings are used to finance operations, land acquisitions, historical restoration, and maintenance of the Penasquitos Preserve Park.

### OTHER ENDOWMENTS

This fund includes several miscellaneous endowments, including, Carmel Valley Sewer Maintenance, Crescent Heights Habitat Management, Environmental Trust Bankruptcy Endowment, Figg Estate, Phillip Green Memorial Trust, Sycamore Estates, and the Zoological Society-Mission Trails.

**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - PERMANENT**  
**COMBINING BALANCE SHEET**  
**June 30, 2018**  
**(Dollars in Thousands)**

	Carroll Canyon Vernal Pool Mitigation	Cemetery Perpetuity	Library Endowments	Los Penasquitos Canyon	Other Endowments	Total
<b>ASSETS</b>						
Receivables:						
Accrued Interest .....	\$ 5	\$ 4	\$ 1	\$ —	\$ 4	\$ 14
Restricted Cash and Investments .....	2,564	12,149	864	3,342	1,844	20,763
<b>TOTAL ASSETS .....</b>	<b>\$ 2,569</b>	<b>\$ 12,153</b>	<b>\$ 865</b>	<b>\$ 3,342</b>	<b>\$ 1,848</b>	<b>\$ 20,777</b>
<b>LIABILITIES</b>						
Accounts Payable .....	\$ —	\$ —	\$ 4	\$ —	\$ —	\$ 4
<b>FUND BALANCES</b>						
Nonspendable .....	2,482	12,153	388	1,000	1,813	17,836
Restricted .....	87	—	473	2,342	35	2,937
<b>TOTAL FUND BALANCES .....</b>	<b>2,569</b>	<b>12,153</b>	<b>861</b>	<b>3,342</b>	<b>1,848</b>	<b>20,773</b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b>\$ 2,569</b>	<b>\$ 12,153</b>	<b>\$ 865</b>	<b>\$ 3,342</b>	<b>\$ 1,848</b>	<b>\$ 20,777</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Carroll Canyon Vernal Pool Mitigation	Cemetery Perpetuity	Library Endowments	Los Penasquitos Canyon	Other Endowments	Total
<b>REVENUES</b>						
Revenue from Use of Money and Property .....	\$ 21	\$ 461	\$ 40	\$ 209	\$ 4	\$ 735
Revenue from Private Sources .....	—	—	—	—	678	678
Charges for Current Services .....	—	127	—	—	—	127
<b>TOTAL REVENUES .....</b>	<b>21</b>	<b>588</b>	<b>40</b>	<b>209</b>	<b>682</b>	<b>1,540</b>
<b>EXPENDITURES</b>						
Current:						
Parks, Recreation, Culture and Leisure .....	—	—	22	2	—	24
Sanitation and Health .....	—	71	—	—	—	71
<b>TOTAL EXPENDITURES .....</b>	<b>—</b>	<b>71</b>	<b>22</b>	<b>2</b>	<b>—</b>	<b>95</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES .....</b>	<b>21</b>	<b>517</b>	<b>18</b>	<b>207</b>	<b>682</b>	<b>1,445</b>
<b>OTHER FINANCING USES</b>						
Transfers to Other Funds .....	—	(426)	—	(115)	—	(541)
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>21</b>	<b>91</b>	<b>18</b>	<b>92</b>	<b>682</b>	<b>904</b>
Fund Balances at Beginning of Year .....	2,548	12,062	843	3,250	1,166	19,869
<b>FUND BALANCES AT END OF YEAR .....</b>	<b>\$ 2,569</b>	<b>\$ 12,153</b>	<b>\$ 861</b>	<b>\$ 3,342</b>	<b>\$ 1,848</b>	<b>\$ 20,773</b>



**NONMAJOR BUSINESS-TYPE FUNDS  
ENTERPRISE**



Historic House, Old Town Heritage Park, San Diego, CA



## ENTERPRISE FUNDS

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. These funds use full accrual accounting.

### CITY OF SAN DIEGO

#### AIRPORTS

This fund was established to account for the operation, maintenance and development of both City-owned airports: Montgomery-Gibbs Executive Airport and Brown Field Municipal Airport. Airports Fund revenues are derived from such sources as rent/lease revenue, usage fees, earnings on investments, and aid from other governmental agencies.

#### DEVELOPMENT SERVICES

This fund was established to account for construction management, development project review, permitting, and inspection services for the City.

#### ENVIRONMENTAL SERVICES

This fund was established to account for refuse disposal, resource management, and other environmental programs.

#### GOLF COURSE

This fund was established to operate, maintain, and improve physical conditions and initiate capital improvement programs for Torrey Pines, Mission Bay, and Balboa golf courses. Revenues are derived from green fees and leases.

#### RECYCLING

This fund was established to account for the planning, implementation, operation and management of City recycling and waste diversion programs. Revenues are derived from the recycling fee on all waste generated in the City or disposed of at the City landfill.

### BLENDED COMPONENT UNIT

#### SAN DIEGO CONVENTION CENTER CORPORATION

SDCCC is a not-for-profit public benefit corporation, originally organized to market, operate, and maintain the San Diego Convention Center. Revenues are derived mainly from building rents, food and beverage concessions, ancillary services, and contributions from the City of San Diego. Expenses include maintenance, operations, and capital projects for the Convention Center.

**NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE**  
**COMBINING STATEMENT OF FUND NET POSITION**  
 June 30, 2018  
 (Dollars in Thousands)

	Airports	Development Services	Environmental Services	Golf Course	Recycling	San Diego Convention Center Corporation	Total
<b>ASSETS</b>							
Current Assets:							
Cash and Investments .....	\$ 14,544	\$ 23,119	\$ 60,655	\$ 26,836	\$ 31,638	\$ 17,325	\$ 174,117
Receivables:							
Accounts - Net of Allowance for Uncollectibles .....	948	1,946	1,076	645	3,700	6,547	14,862
Accrued Interest .....	68	132	438	133	198	—	969
Grants .....	4,909	—	—	—	187	—	5,096
Inventories .....	—	—	—	—	—	38	38
Total Current Assets .....	20,469	25,197	62,169	27,614	35,723	23,910	195,082
Non-Current Assets:							
Restricted Cash and Investments .....	76	7,975	32,274	—	11,551	3,211	55,087
Prepaid Expenses .....	—	2,626	—	—	—	597	3,223
Other Assets .....	—	—	—	—	—	706	706
Capital Assets - Non-Depreciable .....	2,286	5,640	13,107	2,541	—	2,971	26,545
Capital Assets - Depreciable .....	30,034	419	16,311	27,133	1,578	33,600	109,075
Total Non-Current Assets .....	32,396	16,660	61,692	29,674	13,129	41,085	194,636
<b>TOTAL ASSETS</b> .....	<b>52,865</b>	<b>41,857</b>	<b>123,861</b>	<b>57,288</b>	<b>48,852</b>	<b>64,995</b>	<b>389,718</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred Outflows Related to Other Postemployment Benefits .....	60	1,227	388	278	271	—	2,224
Deferred Outflows Related to Pensions .....	742	21,560	8,354	3,393	5,005	—	39,054
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> ..	<b>802</b>	<b>22,787</b>	<b>8,742</b>	<b>3,671</b>	<b>5,276</b>	<b>—</b>	<b>41,278</b>
<b>LIABILITIES</b>							
Current Liabilities:							
Accounts Payable .....	4,849	1,310	1,747	550	1,020	2,209	11,685
Accrued Wages and Benefits .....	54	1,508	435	241	282	—	2,520
Other Accrued Liabilities .....	—	—	—	—	—	2,853	2,853
Long-Term Liabilities Due Within One Year .....	62	3,253	645	270	414	1,200	5,844
Unearned Revenue .....	—	17,317	—	52	601	9,732	27,702
Current Liabilities Payable from Restricted Assets:							
Customer Deposits Payable .....	—	—	—	—	11,551	—	11,551
Total Current Liabilities .....	4,965	23,388	2,827	1,113	13,868	15,994	62,155



**NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE**  
**COMBINING STATEMENT OF FUND NET POSITION**  
**June 30, 2018**  
**(Dollars in Thousands)**

	Airports	Development Services	Environmental Services	Golf Course	Recycling	San Diego Convention Center Corporation	Total
<b>Non-Current Liabilities:</b>							
Non-Current Liabilities Payable from Restricted Assets:							
Deposits/Advances from Others .....	\$ 76	\$ 7,975	\$ —	\$ —	\$ —	\$ —	\$ 8,051
Compensated Absences .....	47	1,271	404	170	169	—	2,061
Liability Claims .....	109	1,394	1,741	712	1,681	—	5,637
Capital Lease Obligations .....	—	2,339	—	—	—	—	2,339
Loans Payable .....	—	—	—	—	—	25,500	25,500
Notes Payable .....	—	—	—	—	—	9	9
Contracts Payable .....	—	1,481	—	—	—	—	1,481
Estimated Landfill Closure and Postclosure Care .....	—	—	53,003	—	—	—	53,003
Net Other Postemployment Benefits Liability .....	916	16,601	8,748	5,224	5,422	—	36,911
Pension Liabilities .....	2,755	75,439	32,640	15,001	19,869	—	145,704
Total Non-Current Liabilities .....	<u>3,903</u>	<u>106,500</u>	<u>96,536</u>	<u>21,107</u>	<u>27,141</u>	<u>25,509</u>	<u>280,696</u>
<b>TOTAL LIABILITIES .....</b>	<b><u>8,868</u></b>	<b><u>129,888</u></b>	<b><u>99,363</u></b>	<b><u>22,220</u></b>	<b><u>41,009</u></b>	<b><u>41,503</u></b>	<b><u>342,851</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred Inflows Related to Other Postemployment Benefits .....	1	24	6	5	7	—	43
Deferred Inflows Related to Pensions .....	98	2,705	740	429	941	—	4,913
<b>TOTAL DEFERRED INFLOWS OF RESOURCES .....</b>	<b><u>99</u></b>	<b><u>2,729</u></b>	<b><u>746</u></b>	<b><u>434</u></b>	<b><u>948</u></b>	<b><u>—</u></b>	<b><u>4,956</u></b>
<b>NET POSITION (DEFICIT)</b>							
Net Investment in Capital Assets .....	32,320	2,595	29,418	29,674	1,578	13,647	109,232
Restricted for Closure/Postclosure Maintenance .....	—	—	5,698	—	—	—	5,698
Restricted for Other .....	—	—	—	—	—	827	827
Unrestricted (Deficit) .....	12,380	(70,568)	(2,622)	8,631	10,593	9,018	(32,568)
<b>TOTAL NET POSITION (DEFICIT) .....</b>	<b><u>\$ 44,700</u></b>	<b><u>\$ (67,973)</u></b>	<b><u>\$ 32,494</u></b>	<b><u>\$ 38,305</u></b>	<b><u>\$ 12,171</u></b>	<b><u>\$ 23,492</u></b>	<b><u>\$ 83,189</u></b>

**NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Airports	Development Services	Environmental Services	Golf Course	Recycling	San Diego Convention Center Corporation	Total
<b>OPERATING REVENUES</b>							
Charges for Services .....	\$ 169	\$ 69,361	\$ 33,964	\$ 21,801	\$ 22,613	\$ 15,619	\$ 163,527
Revenue from Use of Property .....	4,701	—	161	1,533	177	18,637	25,209
Other .....	18	1,342	835	168	5,167	3,671	11,201
<b>TOTAL OPERATING REVENUES</b> .....	<b>4,888</b>	<b>70,703</b>	<b>34,960</b>	<b>23,502</b>	<b>27,957</b>	<b>37,927</b>	<b>199,937</b>
<b>OPERATING EXPENSES</b>							
Salaries and Employee Benefits .....	2,139	54,153	16,339	8,961	12,673	21,702	115,967
Materials and Supplies .....	177	1,968	1,617	1,369	1,467	606	7,204
Contractual Services .....	2,411	17,261	14,833	6,318	9,765	5,842	56,430
Information Technology .....	197	2,401	864	157	393	40	4,052
Energy and Utilities .....	205	731	1,274	2,024	734	4,111	9,079
Depreciation .....	2,211	30	1,303	1,833	125	2,315	7,817
Other Expenses .....	7	1,388	5,033	38	21	2,792	9,279
<b>TOTAL OPERATING EXPENSES</b> .....	<b>7,347</b>	<b>77,932</b>	<b>41,263</b>	<b>20,700</b>	<b>25,178</b>	<b>37,408</b>	<b>209,828</b>
<b>OPERATING INCOME (LOSS)</b> .....	<b>(2,459)</b>	<b>(7,229)</b>	<b>(6,303)</b>	<b>2,802</b>	<b>2,779</b>	<b>519</b>	<b>(9,891)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Earnings on Investments .....	150	232	900	248	372	165	2,067
Federal Grant Assistance .....	467	—	—	—	—	—	467
Other Agency Grant Assistance .....	—	—	—	—	1,085	—	1,085
Loss on Sale/Retirement of Capital Assets .....	(62)	(1)	(161)	(351)	(6)	(6)	(587)
Debt Service Interest Expense .....	—	(194)	—	—	—	(572)	(766)
Other .....	1	2	133	11	90	811	1,048
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET</b> .....	<b>556</b>	<b>39</b>	<b>872</b>	<b>(92)</b>	<b>1,541</b>	<b>398</b>	<b>3,314</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> .....	<b>(1,903)</b>	<b>(7,190)</b>	<b>(5,431)</b>	<b>2,710</b>	<b>4,320</b>	<b>917</b>	<b>(6,577)</b>
Capital Contributions .....	5,057	—	29	—	—	218	5,304
Transfers from Other Funds .....	—	—	—	—	573	—	573
Transfers from Governmental Funds .....	9	1,514	108	45	95	—	1,771
Transfers to Other Funds .....	—	—	(573)	—	—	—	(573)
Transfers to Governmental Funds .....	(1)	—	(16)	—	—	—	(17)
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b> ....	<b>5,065</b>	<b>1,514</b>	<b>(452)</b>	<b>45</b>	<b>668</b>	<b>218</b>	<b>7,058</b>
<b>CHANGE IN NET POSITION</b> .....	<b>3,162</b>	<b>(5,676)</b>	<b>(5,883)</b>	<b>2,755</b>	<b>4,988</b>	<b>1,135</b>	<b>481</b>
Net Position (Deficit) at Beginning of Year, as Restated .....	41,538	(62,297)	38,377	35,550	7,183	22,357	82,708
<b>NET POSITION (DEFICIT) AT END OF YEAR</b> .....	<b>\$ 44,700</b>	<b>\$ (67,973)</b>	<b>\$ 32,494</b>	<b>\$ 38,305</b>	<b>\$ 12,171</b>	<b>\$ 23,492</b>	<b>\$ 83,189</b>



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**NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Airports	Development Services	Environmental Services	Golf Course	Recycling	San Diego Convention Center Corporation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from Customers and Users .....	\$ 4,474	\$ 68,487	\$ 33,511	\$ 23,002	\$ 25,935	\$ 39,679	\$ 195,088
Receipts from Interfund Services Provided .....	27	1,474	1,615	—	841	—	3,957
Payments to Suppliers .....	(3,065)	(22,923)	(19,794)	(10,531)	(15,145)	(12,716)	(84,174)
Payments to Employees .....	(1,822)	(45,133)	(13,358)	(7,006)	(7,722)	(21,404)	(96,445)
Payments for Interfund Services Used .....	(397)	(6,519)	(514)	(215)	(199)	—	(7,844)
<b>NET CASH PROVIDED BY (USED FOR)</b>							
<b>OPERATING ACTIVITIES</b> .....	(783)	(4,614)	1,460	5,250	3,710	5,559	10,582
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers from Other Funds .....	—	—	—	—	573	—	573
Transfers from Governmental Funds .....	9	1,514	108	45	95	—	1,771
Transfers to Other Funds .....	—	—	(573)	—	—	—	(573)
Transfers to Governmental Funds .....	(1)	—	(16)	—	—	—	(17)
Operating Grants Received .....	638	—	—	—	899	—	1,537
Proceeds from Advances and Deposits .....	1	—	—	—	15	—	16
Payments for Advances and Deposits .....	—	(43)	—	—	—	—	(43)
<b>NET CASH PROVIDED BY (USED FOR)</b>							
<b>NONCAPITAL FINANCING ACTIVITIES</b> .....	647	1,471	(481)	45	1,582	—	3,264
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from Capital Contributions .....	413	—	—	—	—	—	413
Proceeds from Sale of Capital Assets .....	—	—	—	—	—	31	31
Loans to Others .....	—	—	—	—	—	(575)	(575)
Acquisition of Capital Assets .....	(1,635)	(591)	(851)	(1,311)	(117)	(14,495)	(19,000)
Principal Payments on Capital Leases .....	—	(1,097)	—	—	—	—	(1,097)
Principal Payments on Notes .....	—	—	—	—	—	(2)	(2)
Interest Paid on Long-Term Debt .....	—	(194)	—	—	—	(1,055)	(1,249)
<b>NET CASH USED FOR CAPITAL AND RELATED</b>							
<b>FINANCING ACTIVITIES</b> .....	(1,222)	(1,882)	(851)	(1,311)	(117)	(16,096)	(21,479)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of Investments .....	—	—	—	—	—	(3,544)	(3,544)
Proceeds from Restricted Investments .....	—	—	—	—	—	16,745	16,745
Interest Received on Investments .....	129	199	743	184	294	166	1,715
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b> ..	129	199	743	184	294	13,367	14,916
Net Increase (Decrease) in Cash and Cash Equivalents .....	(1,229)	(4,826)	871	4,168	5,469	2,830	7,283
Cash and Cash Equivalents at Beginning of Year .....	15,849	35,920	92,058	22,668	37,720	11,778	215,993
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> .....	<u>\$ 14,620</u>	<u>\$ 31,094</u>	<u>\$ 92,929</u>	<u>\$ 26,836</u>	<u>\$ 43,189</u>	<u>\$ 14,608</u>	<u>\$ 223,276</u>

**NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Airports	Development Services	Environmental Services	Golf Course	Recycling	San Diego Convention Center Corporation	Total
<b>Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Position:</b>							
Cash and Investments	\$ 14,544	\$ 23,119	\$ 60,655	\$ 26,836	\$ 31,638	\$ 17,325	\$ 174,117
Restricted Cash and Investments	76	7,975	32,274	—	11,551	3,211	55,087
Less Investments Not Meeting the Definition of Cash Equivalents	—	—	—	—	—	(5,928)	(5,928)
<b>TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 14,620</b>	<b>\$ 31,094</b>	<b>\$ 92,929</b>	<b>\$ 26,836</b>	<b>\$ 43,189</b>	<b>\$ 14,608</b>	<b>\$ 223,276</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>							
Operating Income (Loss)	\$ (2,459)	\$ (7,229)	\$ (6,303)	\$ 2,802	\$ 2,779	\$ 519	\$ (9,891)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:							
Depreciation	2,211	30	1,303	1,833	125	2,315	7,817
Other Nonoperating Revenue	1	2	133	11	90	811	1,048
(Increase) Decrease in Assets:							
Accounts Receivable - Net	(388)	(217)	33	(494)	(1,504)	1,826	(744)
Prepaid Expenses	—	901	—	—	—	34	935
Increase (Decrease) in Liabilities and Net Deferred Outflows/Inflows of Resources:							
Accounts Payable	(295)	(1,347)	165	75	(560)	647	(1,315)
Accrued Wages and Benefits	(1)	64	59	41	17	—	180
Other Accrued Liabilities	—	—	—	—	—	436	436
Unearned Revenue	—	(527)	—	(17)	233	(885)	(1,196)
Contracts Payable	—	(694)	—	—	—	—	(694)
Compensated Absences	18	(70)	(52)	25	43	(144)	(180)
Liability Claims	(23)	(151)	273	84	253	—	436
Estimated Landfill Closure and Postclosure Care	—	—	4,473	—	—	—	4,473
Net Other Postemployment Benefits Liability and Related Deferred Outflows/Inflows of Resources	5	20	(51)	(15)	92	—	51
Pension Liabilities and Related Deferred Outflows/Inflows of Resources	148	4,604	1,427	905	2,142	—	9,226
Total Adjustments	1,676	2,615	7,763	2,448	931	5,040	20,473
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>\$ (783)</b>	<b>\$ (4,614)</b>	<b>\$ 1,460</b>	<b>\$ 5,250</b>	<b>\$ 3,710</b>	<b>\$ 5,559</b>	<b>\$ 10,582</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>							
Acquisition of Capital Assets	\$ —	\$ 1,255	\$ —	\$ —	\$ —	\$ 218	\$ 1,473
Capital Contributions Related to Grants Receivable	4,644	—	—	—	—	—	4,644
Capital Asset Acquisitions Related to Accounts Payable	4,524	—	184	125	(62)	646	5,417
Carrying Value of Retired Capital Assets	(62)	—	(161)	(351)	(6)	6	(574)
Capitalized Interest and Related Amounts	—	—	—	—	—	343	343
Transfers of Capital Assets to Governmental Activities	—	(1)	—	—	—	—	(1)
Transfers of Capital Assets From Other Funds	—	—	29	—	—	—	29



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**INTERNAL SERVICE FUNDS**







## INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units and/or funds.

### CITY OF SAN DIEGO

#### FLEET OPERATIONS

This fund was established to account for the acquisition, replacement, maintenance and fueling of the City's motive equipment.

#### CENTRAL STORES

This fund was established to provide centralized storeroom services to all City departments.

#### PUBLISHING SERVICES

This fund was established to provide printing and reproduction services to all City departments.

#### MISCELLANEOUS INTERNAL SERVICE

This fund accounts for various administrative activities including risk management administration, energy conservation, public utilities inventory, and administration and operation of various employee related programs such as unused compensatory time, unused sick leave, unemployment insurance, and long-term disability. Revenues are derived from rates or fees charged to the departments for specific services rendered. All miscellaneous funds are reported with governmental activities in the government-wide financial statements, with the exception of the public utilities inventory fund, which is reported with business-type activities.

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF FUND NET POSITION**  
 June 30, 2018  
 (Dollars in Thousands)

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
<b>ASSETS</b>					
Current Assets:					
Cash and Investments .....	\$ 110,052	\$ 389	\$ 1,393	\$ 33,501	\$ 145,335
Receivables:					
Accounts - Net of Allowance for Uncollectibles .....	2,915	—	2	37	2,954
Contributions .....	—	—	—	913	913
Accrued Interest .....	45	3	5	152	205
Grants .....	—	—	—	277	277
Inventories .....	—	1,351	—	418	1,769
Total Current Assets .....	<u>113,012</u>	<u>1,743</u>	<u>1,400</u>	<u>35,298</u>	<u>151,453</u>
Non-Current Assets:					
Capital Assets - Non-Depreciable .....	3,073	—	—	776	3,849
Capital Assets - Depreciable .....	140,868	128	103	1,520	142,619
Total Non-Current Assets .....	<u>143,941</u>	<u>128</u>	<u>103</u>	<u>2,296</u>	<u>146,468</u>
<b>TOTAL ASSETS</b> .....	<u>256,953</u>	<u>1,871</u>	<u>1,503</u>	<u>37,594</u>	<u>297,921</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows Related to Other Postemployment Benefits...	565	61	31	280	937
Deferred Outflows Related to Pensions .....	10,572	911	395	5,241	17,119
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> .....	<u>11,137</u>	<u>972</u>	<u>426</u>	<u>5,521</u>	<u>18,056</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable .....	6,981	612	238	1,241	9,072
Accrued Wages and Benefits .....	697	46	25	1,068	1,836
Other Accrued Liabilities .....	—	—	—	130	130
Interest Accrued on Long-Term Debt .....	233	—	—	—	233
Long-Term Liabilities Due Within One Year .....	10,803	57	36	3,900	14,796
Total Current Liabilities .....	<u>18,714</u>	<u>715</u>	<u>299</u>	<u>6,339</u>	<u>26,067</u>
Non-Current Liabilities:					
Compensated Absences .....	464	24	26	2,813	3,327
Liability Claims .....	4,536	226	68	2,479	7,309
Capital Lease Obligations .....	26,415	—	—	—	26,415
Net Other Postemployment Benefits Liability .....	13,295	1,182	926	4,973	20,376
Pension Liabilities .....	42,154	3,532	1,776	18,955	66,417
Total Non-Current Liabilities .....	<u>86,864</u>	<u>4,964</u>	<u>2,796</u>	<u>29,220</u>	<u>123,844</u>
<b>TOTAL LIABILITIES</b> .....	<u>105,578</u>	<u>5,679</u>	<u>3,095</u>	<u>35,559</u>	<u>149,911</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows Related to Other Postemployment Benefits .....	11	1	1	5	18
Deferred Inflows Related to Pensions .....	1,349	114	54	673	2,190
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<u>1,360</u>	<u>115</u>	<u>55</u>	<u>678</u>	<u>2,208</u>
<b>NET POSITION (DEFICIT)</b>					
Net Investment in Capital Assets .....	107,856	128	103	2,296	110,383
Unrestricted (Deficit) .....	53,296	(3,079)	(1,324)	4,582	53,475
<b>TOTAL NET POSITION (DEFICIT)</b> .....	<u>\$ 161,152</u>	<u>\$ (2,951)</u>	<u>\$ (1,221)</u>	<u>\$ 6,878</u>	<u>\$ 163,858</u>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
<b>OPERATING REVENUES</b>					
Charges for Services .....	\$ 79,261	\$ 9,022	\$ 3,695	\$ 28,486	\$ 120,464
Other .....	—	45	—	28	73
<b>TOTAL OPERATING REVENUES</b> .....	<b>79,261</b>	<b>9,067</b>	<b>3,695</b>	<b>28,514</b>	<b>120,537</b>
<b>OPERATING EXPENSES</b>					
Salaries and Employee Benefits .....	24,531	2,007	990	12,412	39,940
Materials and Supplies .....	13,803	7,059	293	117	21,272
Contractual Services .....	5,078	1,164	2,078	2,579	10,899
Information Technology .....	571	67	91	1,164	1,893
Energy and Utilities .....	12,189	107	101	25	12,422
Depreciation .....	20,732	18	11	42	20,803
Benefit and Claim Expenses .....	—	—	—	16,944	16,944
Other Expenses .....	5	—	—	25	30
<b>TOTAL OPERATING EXPENSES</b> .....	<b>76,909</b>	<b>10,422</b>	<b>3,564</b>	<b>33,308</b>	<b>124,203</b>
<b>OPERATING INCOME (LOSS)</b> .....	<b>2,352</b>	<b>(1,355)</b>	<b>131</b>	<b>(4,794)</b>	<b>(3,666)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Earnings on Investments .....	62	10	8	336	416
Other Agency Grant Assistance .....	—	—	—	656	656
Gain (Loss) on Sale/Retirement of Capital Assets .....	872	—	—	(144)	728
Debt Service Interest Expense .....	(658)	—	—	—	(658)
Other .....	321	16	75	2	414
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET</b> .....	<b>597</b>	<b>26</b>	<b>83</b>	<b>850</b>	<b>1,556</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> ...	<b>2,949</b>	<b>(1,329)</b>	<b>214</b>	<b>(3,944)</b>	<b>(2,110)</b>
Capital Contributions .....	1,300	—	—	—	1,300
Transfers from Other Funds .....	—	—	—	3,000	3,000
Transfers from Governmental Funds .....	207	14	5	22	248
Transfers to Governmental Funds .....	(2)	—	(4)	—	(6)
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b> .....	<b>1,505</b>	<b>14</b>	<b>1</b>	<b>3,022</b>	<b>4,542</b>
<b>CHANGE IN NET POSITION</b> .....	<b>4,454</b>	<b>(1,315)</b>	<b>215</b>	<b>(922)</b>	<b>2,432</b>
Net Position (Deficit) at Beginning of Year, as Restated .....	156,698	(1,636)	(1,436)	7,800	161,426
<b>NET POSITION (DEFICIT) AT END OF YEAR</b> .....	<b>\$ 161,152</b>	<b>\$ (2,951)</b>	<b>\$ (1,221)</b>	<b>\$ 6,878</b>	<b>\$ 163,858</b>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers and Users .....	\$ —	\$ —	\$ —	\$ 25,157	\$ 25,157
Receipts from Interfund Services Provided .....	78,614	9,083	3,769	3,268	94,734
Payments to Suppliers .....	(31,096)	(7,545)	(2,736)	(5,981)	(47,358)
Payments to Employees .....	(18,198)	(1,546)	(726)	(25,648)	(46,118)
Payments for Interfund Services Used .....	(609)	(643)	(55)	(455)	(1,762)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>28,711</b>	<b>(651)</b>	<b>252</b>	<b>(3,659)</b>	<b>24,653</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from Other Funds .....	—	—	—	3,000	3,000
Transfers from Governmental Funds .....	207	14	5	22	248
Transfers to Governmental Funds .....	(2)	—	(4)	—	(6)
Operating Grants Received .....	—	—	—	490	490
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>205</b>	<b>14</b>	<b>1</b>	<b>3,512</b>	<b>3,732</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from the Sale of Capital Assets .....	1,300	—	—	—	1,300
Acquisition of Capital Assets .....	(17,064)	(1)	(32)	(874)	(17,971)
Principal Payments on Capital Leases .....	(8,010)	—	—	—	(8,010)
Interest Paid on Long-Term Debt .....	(548)	—	—	—	(548)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(24,322)</b>	<b>(1)</b>	<b>(32)</b>	<b>(874)</b>	<b>(25,229)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Received on Investments .....	52	11	6	284	353
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES .....</b>	<b>52</b>	<b>11</b>	<b>6</b>	<b>284</b>	<b>353</b>
Net Increase (Decrease) in Cash and Cash Equivalents .....	4,646	(627)	227	(737)	3,509
Cash and Cash Equivalents at Beginning of Year .....	105,406	1,016	1,166	34,238	141,826
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b>\$ 110,052</b>	<b>\$ 389</b>	<b>\$ 1,393</b>	<b>\$ 33,501</b>	<b>\$ 145,335</b>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	<u>Fleet Operations</u>	<u>Central Stores</u>	<u>Publishing Services</u>	<u>Miscellaneous Internal Service</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>					
<b>Provided by (Used For) Operating Activities:</b>					
Operating Income (Loss) .....	\$ 2,352	\$ (1,355)	\$ 131	\$ (4,794)	\$ (3,666)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:					
Depreciation .....	20,732	18	11	42	20,803
Other Nonoperating Revenue .....	321	16	75	2	414
(Increase) Decrease in Assets:					
Accounts Receivable - Net .....	(968)	—	(1)	(10)	(979)
Contributions Receivable .....	—	—	—	(80)	(80)
Inventories .....	—	352	—	(418)	(66)
Increase (Decrease) in Liabilities and Net Deferred Outflows/Inflows of Resources:					
Accounts Payable .....	2,290	77	(85)	408	2,690
Accrued Wages and Benefits .....	67	7	1	29	104
Compensated Absences .....	(30)	9	(2)	371	348
Liability Claims .....	1,418	15	(24)	(256)	1,153
Net Other Postemployment Benefits Liability and Related Deferred Outflows/Inflows of Resources .....					
	6	(1)	1	(17)	(11)
Pension Liabilities and Related Deferred Outflows/Inflows of Resources .....	2,523	211	145	1,064	3,943
Total Adjustments .....	<u>26,359</u>	<u>704</u>	<u>121</u>	<u>1,135</u>	<u>28,319</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b><u>\$ 28,711</u></b>	<b><u>\$ (651)</u></b>	<b><u>\$ 252</u></b>	<b><u>\$ (3,659)</u></b>	<b><u>\$ 24,653</u></b>
<b>Noncash Investing, Capital, and Financing Activities:</b>					
Capital Assets Acquired through Capital Leases .....	\$ 14,413	\$ —	\$ —	\$ —	\$ 14,413
Acquisition of Capital Assets .....	42	—	—	—	42
Capital Asset Acquisitions Related to Accounts Payable .....	(29)	—	—	109	80
Carrying Value of Retired Capital Assets .....	(428)	—	—	(64)	(492)
Transfers of Capital Assets (To) From Governmental Activities .....	1,258	—	—	(51)	1,207
Transfers of Capital Assets To Other Funds .....	—	—	—	(29)	(29)



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2018

FIDUCIARY FUNDS







## FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The resources of fiduciary funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

### CITY OF SAN DIEGO

#### PENSION TRUST FUNDS

##### PRESERVATION OF BENEFITS PLAN

The Preservation of Benefits Plan is a qualified governmental excess benefit plan under IRC section 415(m), which was created by Congress to allow for the payment of promised pension benefits that exceed the IRC section 415(b) limits and therefore can't be paid from the City's Pension and Employee Savings Trust Fund. This fund is maintained by the SDCERS Board of Administration to reflect all amounts the City contributes for payment of pension benefits that exceed IRC section 415(b) limits.

##### POSTEMPLOYMENT HEALTHCARE BENEFIT PLAN

Retiree Health Insurance Trust fund is a separate trust fund used solely for providing retiree health benefits. It is maintained by the Retirement Board of Administration to reflect all amounts the City and retirees contribute to pay retiree health benefits.

##### SUPPLEMENTAL PENSION SAVINGS PLAN

This fund is used to account for a defined contribution plan, where benefits depend solely on amounts contributed to the plan by both the City and employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

##### 401(a) PLAN

This fund is used to account for a defined contribution plan, where benefits depend solely on amounts contributed to the plan by the City, employees and investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

##### 401(k) PLAN

This fund is used to account for a defined contribution plan, where benefits depend solely on amounts contributed to the plan by City employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

#### AGENCY FUNDS

These funds were established to account for assets held by the City as an agent for individuals, private organizations, other governments and/or funds, including federal and state income taxes withheld from employees, parking citation revenues, employee benefit plans and special assessments.

### FIDUCIARY COMPONENT UNIT

#### CITY EMPLOYEES' RETIREMENT SYSTEM

SDCERS provides retirement, disability, and death benefits. SDCERS is a defined benefit plan, whereby funds are accumulated from City and employee contributions, plus earnings from fund investments. Currently SDCERS also administers the Port of San Diego and the San Diego County Regional Airport Authority defined benefit plans. It also performs certain administrative functions on other post-employment benefits on behalf of the City.

**FIDUCIARY FUNDS  
PENSION TRUST FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2018  
(Dollars in Thousands)**

	<b>City Employees' Retirement System</b>		
	<b>City of San Diego</b>	<b>Unified Port District</b>	<b>Airport Authority</b>
<b>ASSETS</b>			
Cash and Investments .....	\$ 1,268	\$ 121	\$ 184
Cash and Investments with Custodian/Fiscal Agent .....	214,296	31,051	43,227
Investments at Fair Value:			
Domestic Fixed Income Securities .....	1,898,282	107,934	37,488
International Fixed Income Securities .....	521,541	30,013	10,574
Domestic Equity Securities (Stocks) .....	1,671,653	94,731	32,590
International Equity Securities (Stocks) .....	1,210,041	68,673	23,515
Global Equity Securities .....	367,001	20,950	6,982
Real Estate .....	777,915	44,403	15,558
Equity Mutual Funds .....	—	—	—
Fixed Income Mutual Funds .....	—	—	—
Private Equity and Infrastructure .....	1,060,111	61,382	22,082
Receivables:			
Contributions .....	2,887	310	68
Accrued Interest .....	7,865	434	140
Loans .....	—	—	—
Securities Sold .....	158,116	8,970	3,091
Prepaid Expenses .....	175	10	2
Securities Lending Collateral .....	158,009	9,438	3,874
Capital Assets - Depreciable .....	4,603	269	86
<b>TOTAL ASSETS</b> .....	<b>8,053,763</b>	<b>478,689</b>	<b>199,461</b>
<b>LIABILITIES</b>			
Accounts Payable .....	4,206	229	79
Accrued Wages and Benefits .....	614	39	19
Supplemental Benefits Payable .....	11,449	285	54
Securities Lending Obligations .....	157,998	9,436	3,872
Securities Purchased .....	434,607	24,888	8,934
<b>TOTAL LIABILITIES</b> .....	<b>608,874</b>	<b>34,877</b>	<b>12,958</b>
<b>NET POSITION</b>			
Restricted for Pension Benefits .....	<b>\$ 7,444,889</b>	<b>\$ 443,812</b>	<b>\$ 186,503</b>

Preservation of Benefits Plan	Postemployment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(a) Plan	401(k) Plan	Total
\$ —	\$ —	\$ 539	\$ 1	\$ 1	\$ 2,114
14	—	—	—	—	288,588
—	—	—	—	—	2,043,704
—	—	—	—	—	562,128
—	—	—	—	—	1,798,974
—	—	—	—	—	1,302,229
—	—	—	—	—	394,933
—	—	—	—	—	837,876
—	—	517,718	6,007	276,244	799,969
—	—	271,269	181	122,929	394,379
—	—	—	—	—	1,143,575
—	—	—	—	—	3,265
—	—	—	—	—	8,439
—	—	22,232	—	11,769	34,001
—	—	—	—	—	170,177
—	—	—	—	—	187
—	—	—	—	—	171,321
—	—	—	—	—	4,958
14	—	811,758	6,189	410,943	9,960,817
—	—	—	—	—	4,514
—	—	—	—	—	672
—	—	—	—	—	11,788
—	—	—	—	—	171,306
—	—	—	—	—	468,429
—	—	—	—	—	656,709
<u>\$ 14</u>	<u>\$ —</u>	<u>\$ 811,758</u>	<u>\$ 6,189</u>	<u>\$ 410,943</u>	<u>\$ 9,304,108</u>

**FIDUCIARY FUNDS  
PENSION TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
Fiscal Year Ended June 30, 2018  
(Dollars in Thousands)**

	<u>City Employees' Retirement System</u>		
	<u>City of San Diego</u>	<u>Unified Port District</u>	<u>Airport Authority</u>
<b>ADDITIONS</b>			
Employer Contributions .....	\$ 326,372	\$ 17,718	\$ 7,247
Plan Member Contributions:			
Employee Contributions .....	55,387	3,374	3,092
DROP Contributions .....	5,099	279	143
Retiree Contributions .....	—	—	—
Earnings on Investments:			
Investment Income .....	77,909	4,632	1,846
Investment Expense .....	(35,317)	(2,099)	(837)
Net Appreciation in Fair Value of Investments .....	551,340	32,746	13,005
Net Investment Income .....	<u>593,932</u>	<u>35,279</u>	<u>14,014</u>
Securities Lending:			
Gross Earnings .....	3,183	189	76
Borrower Rebates and Bank Charges .....	(2,270)	(135)	(54)
Net Securities Lending Income .....	<u>913</u>	<u>54</u>	<u>22</u>
Other Income .....	—	—	—
<b>TOTAL ADDITIONS</b> .....	<u>981,703</u>	<u>56,704</u>	<u>24,518</u>
<b>DEDUCTIONS</b> .....			
DROP Interest Expense .....	22,462	496	50
Benefit and Claim Payments .....	492,616	24,863	4,413
Administration .....	10,570	659	350
<b>TOTAL DEDUCTIONS</b> .....	<u>525,648</u>	<u>26,018</u>	<u>4,813</u>
<b>CHANGE IN NET POSITION</b> .....	456,055	30,686	19,705
Net Position at Beginning of Year .....	6,988,834	413,126	166,798
<b>NET POSITION AT END OF YEAR</b> .....	<u>\$ 7,444,889</u>	<u>\$ 443,812</u>	<u>\$ 186,503</u>

Preservation of Benefits Plan	Postemployment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(a) Plan	401(k) Plan	Total
\$ 1,434	\$ 30,380	\$ 32,830	\$ 374	\$ —	\$ 416,355
—	577	32,443	554	30,433	125,860
—	—	—	—	—	5,521
—	8,040	—	—	—	8,040
—	—	53,054	420	28,368	166,229
—	—	—	—	—	(38,253)
—	—	—	—	—	597,091
—	—	53,054	420	28,368	725,067
—	—	—	—	—	3,448
—	—	—	—	—	(2,459)
—	—	—	—	—	989
—	—	655	—	344	999
1,434	38,997	118,982	1,348	59,145	1,282,831
—	—	—	—	—	23,008
1,430	38,413	55,160	172	23,690	640,757
3	584	—	—	—	12,166
1,433	38,997	55,160	172	23,690	675,931
1	—	63,822	1,176	35,455	606,900
13	—	747,936	5,013	375,488	8,697,208
\$ 14	\$ —	\$ 811,758	\$ 6,189	\$ 410,943	\$ 9,304,108

**FIDUCIARY FUNDS  
AGENCY FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2018  
(Dollars in Thousands)**

	<u>Employee Benefits</u>	<u>Other Miscellaneous Agency</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Investments .....	\$ 11,011	\$ 20,968	\$ 31,979
Receivables:			
Accounts - Net of Allowance for Uncollectibles .....	96	666	762
Special Assessments .....	—	133	133
Accrued Interest .....	—	22	22
Restricted Cash and Investments .....	—	34,292	34,292
<b>TOTAL ASSETS</b> .....	<u>\$ 11,107</u>	<u>\$ 56,081</u>	<u>\$ 67,188</u>
<b>LIABILITIES</b>			
Accounts Payable .....	\$ —	\$ 10,764	\$ 10,764
Deposits/Advances from Others .....	—	26	26
Sundry Agency Liabilities .....	11,107	24,006	35,113
Due to Bondholders .....	—	21,285	21,285
<b>TOTAL LIABILITIES</b> .....	<u>\$ 11,107</u>	<u>\$ 56,081</u>	<u>\$ 67,188</u>

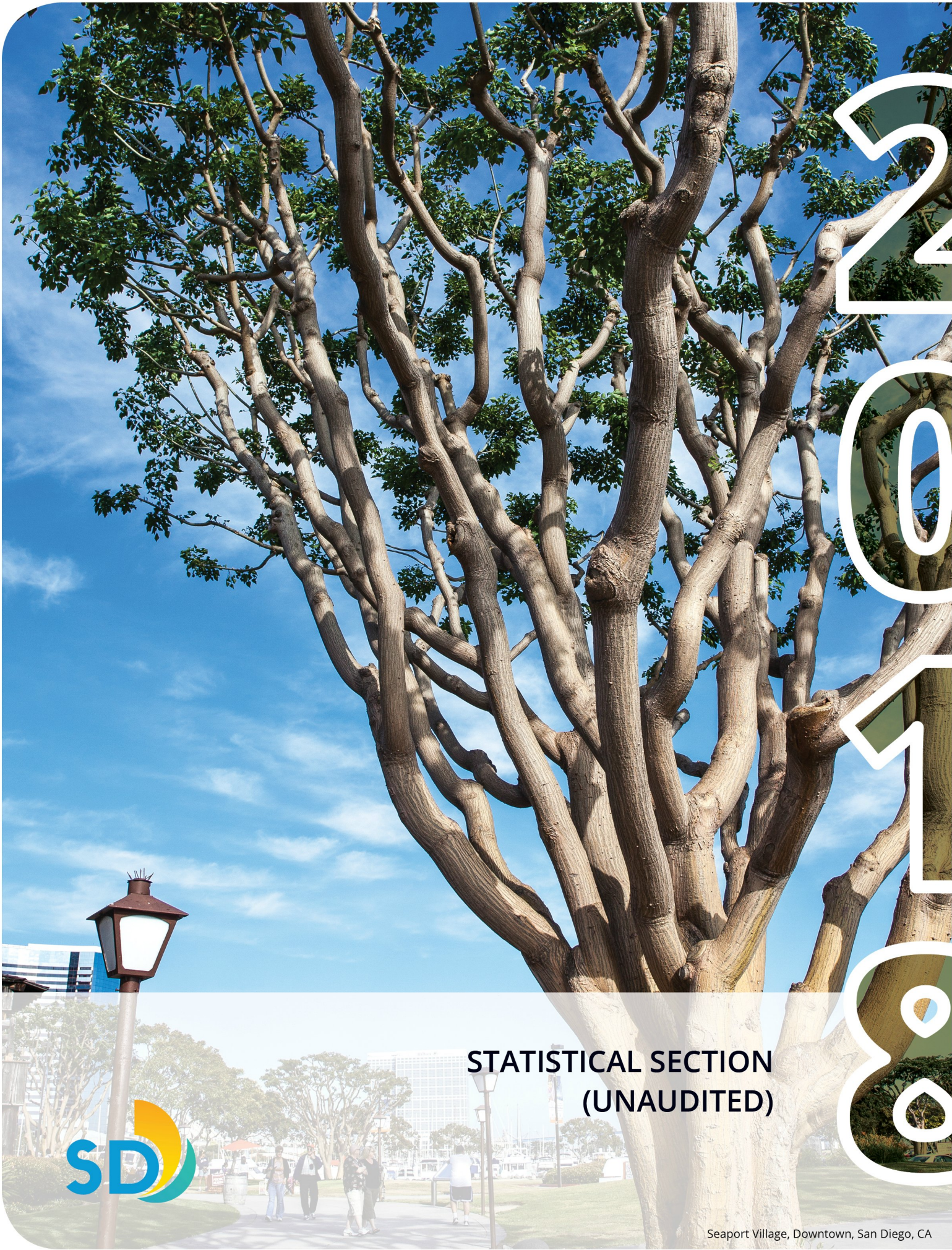
**FIDUCIARY FUNDS  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Fiscal Year Ended June 30, 2018  
(Dollars in Thousands)**

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Employee Benefits</b>				
<b>ASSETS</b>				
Cash and Investments .....	\$ 8,900	\$ 172,307	\$ 170,196	\$ 11,011
Receivables:				
Accounts - Net of Allowance for Uncollectibles .....	110	3,431	3,445	96
<b>TOTAL ASSETS</b> .....	<b>\$ 9,010</b>	<b>\$ 175,738</b>	<b>\$ 173,641</b>	<b>\$ 11,107</b>
<b>LIABILITIES</b>				
Accounts Payable .....	\$ 39	\$ 89,743	\$ 89,782	—
Sundry Agency Liabilities .....	8,971	174,932	172,796	11,107
<b>TOTAL LIABILITIES</b> .....	<b>\$ 9,010</b>	<b>\$ 264,675</b>	<b>\$ 262,578</b>	<b>\$ 11,107</b>
<b>Other Miscellaneous Agency</b>				
<b>ASSETS</b>				
Cash and Investments .....	\$ 14,960	\$ 244,334	\$ 238,326	\$ 20,968
Receivables:				
Accounts - Net of Allowance for Uncollectibles .....	1,079	10,998	11,411	666
Special Assessments .....	160	132	159	133
Accrued Interest .....	15	22	15	22
Restricted Cash and Investments .....	29,661	40,149	35,518	34,292
<b>TOTAL ASSETS</b> .....	<b>\$ 45,875</b>	<b>\$ 295,635</b>	<b>\$ 285,429</b>	<b>\$ 56,081</b>
<b>LIABILITIES</b>				
Accounts Payable .....	\$ 3,975	\$ 166,790	\$ 160,001	\$ 10,764
Deposits/Advances from Others .....	151	—	125	26
Sundry Agency Liabilities .....	19,848	69,580	65,422	24,006
Due to Bondholders .....	21,901	46,248	46,864	21,285
<b>TOTAL LIABILITIES</b> .....	<b>\$ 45,875</b>	<b>\$ 282,618</b>	<b>\$ 272,412</b>	<b>\$ 56,081</b>
<b>Total Agency Funds</b>				
<b>ASSETS</b>				
Cash and Investments .....	\$ 23,860	\$ 416,641	\$ 408,522	\$ 31,979
Receivables:				
Accounts - Net of Allowance for Uncollectibles .....	1,189	14,429	14,856	762
Special Assessments .....	160	132	159	133
Accrued Interest .....	15	22	15	22
Restricted Cash and Investments .....	29,661	40,149	35,518	34,292
<b>TOTAL ASSETS</b> .....	<b>\$ 54,885</b>	<b>\$ 471,373</b>	<b>\$ 459,070</b>	<b>\$ 67,188</b>
<b>LIABILITIES</b>				
Accounts Payable .....	\$ 4,014	\$ 256,533	\$ 249,783	\$ 10,764
Deposits/Advances from Others .....	151	—	125	26
Sundry Agency Liabilities .....	28,819	244,512	238,218	35,113
Due to Bondholders .....	21,901	46,248	46,864	21,285
<b>TOTAL LIABILITIES</b> .....	<b>\$ 54,885</b>	<b>\$ 547,293</b>	<b>\$ 534,990</b>	<b>\$ 67,188</b>



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2018

**STATISTICAL SECTION  
(UNAUDITED)**





## STATISTICAL SECTION

The Statistical Section presents information as required by GASB Statement No. 44. In addition to utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information, the statistical data presented in this section helps users assess the City's economic condition. Ten-year trend information has been provided when available. The statistical tables are footnoted to indicate sources and when accounting data or other information is unavailable.

### **CONTENTS**

#### FINANCIAL TRENDS

Tables 1 through 4 contain information to help the reader understand how the City's financial performance and well-being have changed over time.

#### REVENUE CAPACITY

Tables 5 through 9 contain information to help the reader assess the City's ability to generate its most significant local revenue source, property tax.

#### DEBT CAPACITY

Tables 10 through 15 present information to help the reader assess the affordability of the City's current levels of certain outstanding debt categories.

#### DEMOGRAPHIC AND ECONOMIC INFORMATION

Tables 16 and 17 offer demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place and to provide comparisons over time with other governments.

#### OPERATING INFORMATION

Tables 18 through 20 contain information about the City's resources and operations to help the reader understand how the City's financial report relates to the services provided and activities performed by the City.

\*Additional financial information (audited and statistical) on the Sewer and Water Utilities can be obtained in the Annual Report Disclosure filings submitted to the Municipal Securities Rulemaking Board, <http://emma.msrb.org>.

**CITY OF SAN DIEGO**  
**NET POSITION BY CATEGORY (UNAUDITED)**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**  
**(Accrual Basis of Accounting)**

	Fiscal Year			
	2009	2010	2011	2012
<b><u>Governmental Activities</u></b>				
Net Investment in Capital Assets .....	\$ 3,530,937	\$ 3,780,474	\$ 3,812,560	\$ 3,835,923
Restricted for:				
Capital Projects .....	293,284	260,754	654,126	521,015
Low-Moderate Income Housing .....	135,581	162,514	84,260	50,988
Nonexpendable Permanent Endowments .....	13,280	17,514	15,670	18,780
Grants .....	—	—	—	232,249
Other .....	122,460	131,600	195,171	157,462
Unrestricted .....	162,661	2,189	(392,384)	(278,413)
Total Governmental Activities Net Position .....	<u>4,258,203</u>	<u>4,355,045</u>	<u>4,369,403</u>	<u>4,538,004</u>
<b><u>Business-type Activities</u></b>				
Net Investment in Capital Assets .....	2,970,351	3,035,924	3,094,788	3,131,831
Restricted for:				
Debt Service .....	4,372	8,443	11,129	13,346
Other .....	38,113	43,747	45,217	24,462
Unrestricted .....	587,443	643,275	685,666	826,386
Total Business-type Activities Net Position .....	<u>3,600,279</u>	<u>3,731,389</u>	<u>3,836,800</u>	<u>3,996,025</u>
<b><u>Primary Government</u></b>				
Net Investment in Capital Assets .....	6,501,288	6,816,398	6,907,348	6,967,754
Restricted for:				
Capital Projects .....	293,284	260,754	654,126	521,015
Debt Service .....	4,372	8,443	11,129	13,346
Low-Moderate Income Housing .....	135,581	162,514	84,260	50,988
Nonexpendable Permanent Endowments .....	13,280	17,514	15,670	18,780
Grants .....	—	—	—	232,249
Other .....	160,573	175,347	240,388	181,924
Unrestricted .....	750,104	645,464	293,282	547,973
Total Primary Government Net Position .....	<u>\$ 7,858,482</u>	<u>\$ 8,086,434</u>	<u>\$ 8,206,203</u>	<u>\$ 8,534,029</u>

Source: Comprehensive Annual Financial Reports

Table 1

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 3,963,306	\$ 3,988,284	\$ 3,988,396	\$ 4,129,002	\$ 4,220,622	\$ 4,308,123
456,874	459,115	575,798	598,215	723,855	462,389
251,655	277,139	286,129	319,022	335,801	338,828
19,689	24,307	21,300	19,900	20,264	17,836
75,462	68,206	67,230	219,216	204,527	179,469
202,705	277,586	358,647	450,885	441,102	492,426
(341,390)	(274,916)	(1,493,831)	(1,418,869)	(1,577,390)	(1,716,136)
<u>4,628,301</u>	<u>4,819,721</u>	<u>3,803,669</u>	<u>4,317,371</u>	<u>4,368,781</u>	<u>4,082,935</u>
3,378,535	3,526,979	3,902,396	4,042,983	4,246,534	4,383,725
7,893	1,880	1,531	2,790	505	683
24,822	25,404	26,245	7,010	7,285	6,525
701,760	637,889	380,283	364,762	293,340	239,462
<u>4,113,010</u>	<u>4,192,152</u>	<u>4,310,455</u>	<u>4,417,545</u>	<u>4,547,664</u>	<u>4,630,395</u>
7,341,841	7,515,263	7,890,792	8,171,985	8,467,156	8,691,848
456,874	459,115	575,798	598,215	723,855	462,389
7,893	1,880	1,531	2,790	505	683
251,655	277,139	286,129	319,022	335,801	338,828
19,689	24,307	21,300	19,900	20,264	17,836
75,462	68,206	67,230	219,216	204,527	179,469
227,527	302,990	384,892	457,895	448,387	498,951
360,370	362,973	(1,113,548)	(1,054,107)	(1,284,050)	(1,476,674)
<u>\$ 8,741,311</u>	<u>\$ 9,011,873</u>	<u>\$ 8,114,124</u>	<u>\$ 8,734,916</u>	<u>\$ 8,916,445</u>	<u>\$ 8,713,330</u>

**CITY OF SAN DIEGO**  
**CHANGES IN NET POSITION (UNAUDITED)**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**  
**(Accrual Basis of Accounting)**

	Fiscal Year			
	2009	2010	2011	2012
<b>Expenses</b>				
<b>Governmental Activities</b>				
General Government and Support .....	\$ 303,581	\$ 395,344	\$ 361,098	\$ 294,198
Public Safety - Police .....	418,549	402,222	427,724	409,374
Public Safety - Fire and Life Safety and Homeland Security .....	220,787	214,975	223,174	233,635
Parks, Recreation, Culture and Leisure .....	258,038	266,343	248,668	270,199
Transportation .....	239,305	190,054	191,402	224,187
Sanitation and Health .....	77,447	78,171	74,639	73,299
Neighborhood Services .....	116,735	137,971	85,588	219,499
Debt Service:				
Interest .....	84,070	72,672	77,443	58,838
Cost of Issuance .....	—	—	—	—
Total Governmental Activities Expenses .....	<u>1,718,512</u>	<u>1,757,752</u>	<u>1,689,736</u>	<u>1,783,229</u>
<b>Business-type Activities</b>				
Sewer Utility .....	314,125	338,688	315,591	311,367
Water Utility .....	329,748	365,683	362,830	382,314
Airports .....	5,140	5,671	4,297	3,614
City Store .....	321	—	—	—
Development Services .....	47,260	36,640	43,552	43,842
Environmental Services .....	35,718	33,955	34,904	36,357
Golf Course .....	11,864	14,618	15,503	15,217
Recycling .....	20,067	19,265	19,611	18,105
San Diego Convention Center Corporation .....	—	—	—	—
Total Business-type Activities Expenses .....	<u>764,243</u>	<u>814,520</u>	<u>796,288</u>	<u>810,816</u>
Total Primary Government Expenses .....	<u>2,482,755</u>	<u>2,572,272</u>	<u>2,486,024</u>	<u>2,594,045</u>
<b>Program Revenues</b>				
<b>Governmental Activities</b>				
Charges for Services:				
General Government and Support .....	152,630	179,461	185,696	193,766
Public Safety - Police .....	42,178	39,636	44,879	38,367
Public Safety - Fire and Life Safety and Homeland Security .....	20,449	19,916	30,655	31,724
Parks, Recreation, Culture and Leisure .....	80,795	61,495	65,033	80,673
Transportation .....	18,360	31,485	27,304	56,742
Sanitation and Health .....	9,306	11,788	11,784	14,452
Neighborhood Services .....	21,814	25,959	27,013	22,699
Operating Grants and Contributions .....	93,244	71,829	81,159	62,181
Capital Grants and Contributions .....	110,802	60,139	51,674	46,770
Total Governmental Activities Program Revenues .....	<u>549,578</u>	<u>501,708</u>	<u>525,197</u>	<u>547,374</u>

Table 2

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 313,800	\$ 286,798	\$ 271,094	\$ 303,802	\$ 344,484	\$ 364,533
429,849	441,803	380,344	412,571	501,314	542,128
241,029	253,741	221,446	233,688	290,178	321,016
270,540	267,523	263,127	311,372	355,714	383,122
202,376	192,928	198,242	224,620	239,099	264,278
67,623	89,448	92,833	99,079	103,039	101,440
89,354	70,191	80,299	65,994	82,384	91,686
37,942	35,226	33,790	41,537	36,943	36,515
—	518	—	—	—	—
1,652,513	1,638,176	1,541,175	1,692,663	1,953,155	2,104,718
322,431	326,437	316,465	296,422	339,189	351,145
420,809	443,453	466,552	437,304	477,037	532,056
4,759	4,663	3,740	4,824	6,306	7,415
—	—	—	—	—	—
46,024	50,825	50,244	54,002	69,949	78,287
32,205	33,724	30,939	54,385	34,253	41,397
15,689	16,423	15,827	16,182	19,925	21,072
18,895	20,475	17,200	18,036	19,444	25,002
—	—	—	—	36,760	37,986
860,812	896,000	900,967	881,155	1,002,863	1,094,360
2,513,325	2,534,176	2,442,142	2,573,818	2,956,018	3,199,078
191,256	198,856	249,241	213,490	176,696	176,366
44,723	42,976	40,304	46,238	45,126	40,738
22,539	34,984	33,547	36,645	32,491	43,814
72,297	51,721	53,093	74,531	133,451	114,893
28,759	30,262	34,459	44,555	47,655	51,422
13,790	15,342	14,269	14,730	16,629	15,625
35,792	36,339	49,825	32,982	37,105	40,123
82,760	60,591	49,049	65,173	46,476	134,682
152,193	120,538	106,237	140,408	75,694	26,218
644,109	591,609	630,024	668,752	611,323	643,881

(Continued on Next Page)

**CITY OF SAN DIEGO**  
**CHANGES IN NET POSITION (UNAUDITED)**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**  
**(Accrual Basis of Accounting)**

	Fiscal Year			
	2009	2010	2011	2012
<b>Program Revenues (Continued)</b>				
Business-type Activities				
Charges for Services:				
Sewer Utility .....	\$ 322,571	\$ 382,125	\$ 357,731	\$ 370,299
Water Utility .....	342,719	376,461	371,515	408,119
Airports .....	4,929	4,849	4,749	4,188
City Store .....	242	—	—	—
Development Services .....	37,310	37,338	45,743	44,557
Environmental Services .....	31,726	26,342	28,246	25,123
Golf Course .....	16,201	15,671	15,715	17,428
Recycling .....	16,027	16,946	18,592	17,323
San Diego Convention Center Corporation .....	—	—	—	—
Operating Grants and Contributions .....	1,739	3,289	8,355	2,939
Capital Grants and Contributions .....	60,863	45,738	30,692	75,194
Total Business-type Activities Program Revenues .....	<u>834,327</u>	<u>908,759</u>	<u>881,338</u>	<u>965,170</u>
Total Primary Government Program Revenues .....	<u>1,383,905</u>	<u>1,410,467</u>	<u>1,406,535</u>	<u>1,512,544</u>
Net (Expense)/Revenue:				
Governmental Activities .....	(1,168,934)	(1,256,044)	(1,164,539)	(1,235,855)
Business-type Activities .....	70,084	94,239	85,050	154,354
Total Primary Government Net Expense .....	<u>(1,098,850)</u>	<u>(1,161,805)</u>	<u>(1,079,489)</u>	<u>(1,081,501)</u>
General Revenues and Other Changes in Net Position				
Governmental Activities				
Property Taxes .....	607,857	579,410	560,577	508,938
Transient Occupancy Taxes .....	140,657	123,332	140,752	148,184
Sales Taxes - Shared State Revenue .....	229,651	244,406	246,452	253,624
Franchises .....	—	—	—	—
Other Local Taxes .....	161,485	183,694	158,797	173,954
Developer Contributions and Fees .....	16,148	21,022	14,131	55,635
Grants and Contributions not Restricted to Specific Programs .....	8,488	18,065	10,320	115
Investment Income .....	75,245	30,472	25,488	15,708
Gain on Sale of Capital Assets .....	1,922	1,854	133	—
Miscellaneous .....	33,528	20,458	16,207	36,086
Transfers .....	(1,225)	(1,218)	6,040	16,739
Total Governmental Activities General Revenues and Transfers .....	<u>1,273,756</u>	<u>1,221,495</u>	<u>1,178,897</u>	<u>1,208,983</u>
Business-type Activities				
Investment Income .....	31,004	22,332	13,717	11,519
Miscellaneous .....	8,257	13,321	12,684	8,225
Transfers .....	1,225	1,218	(6,040)	(16,739)
Total Business-type Activities General Revenues and Transfers .....	<u>40,486</u>	<u>36,871</u>	<u>20,361</u>	<u>3,005</u>
Total Primary Government General Revenues and Transfers .....	<u>1,314,242</u>	<u>1,258,366</u>	<u>1,199,258</u>	<u>1,211,988</u>
Extraordinary Gain (Loss)				
Governmental Activities .....	—	—	—	195,473
Business-type Activities .....	—	—	—	1,866
<b>Change in Net Position:</b>				
Governmental Activities .....	104,822	(34,549)	14,358	168,601
Business-type Activities .....	110,570	131,110	105,411	159,225
Total Primary Government Change in Net Position .....	<u>\$ 215,392</u>	<u>\$ 96,561</u>	<u>\$ 119,769</u>	<u>\$ 327,826</u>

Source: Comprehensive Annual Financial Reports



Table 2

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 361,637	\$ 364,548	\$ 364,467	\$ 346,950	\$ 353,488	\$ 360,710
414,508	447,565	455,222	413,008	501,404	569,524
4,906	4,371	4,618	4,691	5,307	4,888
—	—	—	—	—	—
50,006	52,402	56,395	59,808	64,699	70,703
24,607	26,043	30,477	33,048	32,194	34,960
18,367	19,764	20,116	17,987	18,087	23,502
18,056	19,046	20,305	23,203	23,186	27,957
—	—	—	—	36,505	34,256
1,761	1,531	1,044	2,629	10,088	9,958
91,878	70,739	386,952	59,226	56,837	70,109
985,726	1,006,009	1,339,596	960,550	1,101,795	1,206,567
1,629,835	1,597,618	1,969,620	1,629,302	1,713,118	1,850,448
(1,008,404)	(1,046,567)	(911,151)	(1,023,911)	(1,341,832)	(1,460,837)
124,914	110,009	438,629	79,395	98,932	112,207
(883,490)	(936,558)	(472,522)	(944,516)	(1,242,900)	(1,348,630)
421,894	470,905	460,948	489,548	520,186	548,509
158,105	173,376	182,466	200,612	222,228	231,863
269,504	282,345	296,837	319,030	310,935	323,113
—	—	—	—	141,942	96,313
166,548	186,747	208,970	204,387	36,310	52,603
66,312	47,765	86,440	104,516	99,075	82,883
705	674	653	1,045	700	833
9,220	13,627	8,786	16,075	7,846	13,337
—	—	—	—	28,005	809
14,471	32,482	47,071	37,751	36,881	15,959
20,012	15,269	(150)	(733)	(3,207)	(2,814)
1,126,771	1,223,190	1,292,021	1,372,231	1,400,901	1,363,408
2,429	8,489	8,012	13,742	3,330	8,435
11,520	12,096	21,285	13,220	7,076	13,758
(20,012)	(15,269)	150	733	3,207	2,814
(6,063)	5,316	29,447	27,695	13,613	25,007
1,120,708	1,228,506	1,321,468	1,399,926	1,414,514	1,388,415
(28,070)	(14,828)	—	165,382	—	—
(1,866)	—	—	—	—	—
90,297	161,795	380,870	513,702	59,069	(97,429)
116,985	115,325	468,076	107,090	112,545	137,214
\$ 207,282	\$ 277,120	\$ 848,946	\$ 620,792	\$ 171,614	\$ 39,785

**CITY OF SAN DIEGO  
 FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)  
 Last Ten Fiscal Years  
 (Dollars in Thousands)  
 (Modified Accrual Basis of Accounting)**

	Pre-GASB 54 Fiscal Year	
	2009	2010
General Fund:		
Reserved .....	\$ 33,895	\$ 7,996
Unreserved .....	80,497	107,027
Total General Fund .....	<u>\$ 114,392</u>	<u>\$ 115,023</u>
Nonmajor Governmental Funds:		
Reserved .....	\$ 706,971	\$ 776,324
Unreserved, reported in:		
Special Revenue Funds .....	221,089	219,394
Debt Service Funds .....	265,236	159,737
Capital Projects Funds .....	430,479	368,860
Permanent Funds .....	2,625	2
Total Nonmajor Governmental Funds .....	<u>\$ 1,626,400</u>	<u>\$ 1,524,317</u>

<sup>1</sup> Starting in fiscal year 2011, data is reported in accordance with GASB Statement No. 54.

Source: Comprehensive Annual Financial Reports

Table 3

	Post-GASB 54 <sup>1</sup> Fiscal Year							
	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:								
Nonspendable .....	\$ —	\$ 22,140	\$ —	\$ 1,248	\$ 849	\$ 2,502	\$ 783	\$ 863
Spendable:								
Restricted .....	145,880	102,104	60,507	104,885	140,358	146,228	116,253	132,307
Committed .....	1,183	44,831	40,953	147,053	130,891	109,474	116,497	100,483
Assigned .....	38,153	—	8,717	5,575	6,162	11,189	28,869	24,717
Unassigned .....	60,532	109,475	112,321	91,353	99,555	106,508	111,057	95,434
Total General Fund .....	<u>\$ 245,748</u>	<u>\$ 278,550</u>	<u>\$ 222,498</u>	<u>\$ 350,114</u>	<u>\$ 377,815</u>	<u>\$ 375,901</u>	<u>\$ 373,459</u>	<u>\$ 353,804</u>
Nonmajor Governmental Funds:								
Nonspendable .....	\$ 21,093	\$ 19,502	\$ 115,806	\$ 24,326	\$ 21,427	\$ 19,917	\$ 20,299	\$ 18,042
Spendable:								
Restricted .....	1,378,184	876,460	866,750	1,011,875	1,288,739	1,573,516	1,617,147	1,582,579
Committed .....	92,783	114,722	87,655	140,268	108,239	106,851	114,692	97,911
Unassigned .....	(29,569)	(43,841)	(22,578)	(15,156)	(11,287)	(27,289)	(33,843)	(43,514)
Total Nonmajor Governmental Funds .....	<u>\$ 1,462,491</u>	<u>\$ 966,843</u>	<u>\$ 1,047,633</u>	<u>\$ 1,161,313</u>	<u>\$ 1,407,118</u>	<u>\$ 1,672,995</u>	<u>\$ 1,718,295</u>	<u>\$ 1,655,018</u>

**CITY OF SAN DIEGO**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year		
	2009	2010	2011
<b>Revenues</b>			
Property Taxes .....	\$ 603,574	\$ 584,342	\$ 569,009
Special Assessments .....	63,500	45,606	42,823
Sales Taxes - Shared State Revenue .....	233,140	192,665	232,077
Transient Occupancy Taxes .....	140,657	123,879	139,545
Franchises .....	—	—	—
Other Local Taxes .....	171,192	183,696	158,797
Licenses and Permits .....	39,349	33,088	42,668
Fines, Forfeitures and Penalties .....	34,406	31,836	33,356
Revenue from Use of Money and Property .....	107,784	91,227	86,720
Revenue from Federal Agencies .....	70,386	54,056	86,113
Revenue from Other Agencies .....	52,456	56,136	54,628
Revenue from Private Sources .....	21,593	21,689	29,126
Charges for Current Services .....	203,432	191,769	204,782
Other Revenue .....	25,711	23,187	32,807
<b>Total Revenues</b> .....	<b>1,767,180</b>	<b>1,633,176</b>	<b>1,712,451</b>
<b>Expenditures</b>			
Current:			
General Government and Support .....	344,930	391,680	339,782
Public Safety - Police .....	406,657	399,914	402,328
Public Safety - Fire and Life Safety and Homeland Security .....	225,696	210,730	210,539
Parks, Recreation, Culture and Leisure .....	211,759	228,357	205,219
Public Transportation .....	162,969	117,545	115,168
Sanitation and Health .....	78,260	78,351	70,274
Neighborhood Services .....	73,785	75,772	88,826
Capital Outlay .....	138,634	134,426	142,136
Debt Service:			
Principal Retirement .....	57,209	65,928	114,774
Cost of Issuance .....	1,001	1,881	1,552
Interest .....	78,659	74,825	73,093
Payment to Refunded Bond Escrow Agent .....	—	4,172	—
<b>Total Expenditures</b> .....	<b>1,779,559</b>	<b>1,783,581</b>	<b>1,763,691</b>
Excess (Deficiency) of Revenues Over Expenditures .....	(12,379)	(150,405)	(51,240)
<b>Other Financing Sources (Uses)</b>			
Transfers In .....	8,246	7,706	7,444
Transfers Out .....	(6,590)	(13,444)	(6,564)
Payment to Refunded Bond Escrow Agent .....	—	(161,194)	—
Contracts, Notes, and Loans Issued .....	12,583	48,710	478
Bonds Issued .....	115,236	183,396	104,857
Other Sources .....	32,392	15,341	13,924
<b>Total Other Financing Sources (Uses)</b> .....	<b>161,867</b>	<b>80,515</b>	<b>120,139</b>
Extraordinary Gain (Loss) .....	—	—	—
<b>Net Change in Fund Balances</b> .....	<b>\$ 149,488</b>	<b>\$ (69,890)</b>	<b>\$ 68,899</b>
Debt Service as a Percentage of Noncapital Expenditures	8.3%	8.5%	11.6%

Source: Comprehensive Annual Financial Reports

Table 4

							Fiscal Year						
2012		2013		2014		2015		2016		2017		2018	
\$	512,178	\$	422,617	\$	470,960	\$	460,515	\$	489,664	\$	519,386	\$	548,870
	46,964		50,510		50,796		57,343		54,304		61,736		63,870
	265,057		269,929		278,564		293,929		333,821		319,343		314,023
	148,795		159,494		170,475		186,690		204,559		222,228		231,863
	—		—		—		—		—		141,942		160,185
	173,954		166,548		186,747		208,907		204,450		36,304		52,608
	41,906		51,662		53,329		57,388		78,595		125,087		108,516
	64,816		31,261		31,363		33,832		41,465		32,480		32,157
	77,654		80,994		87,212		92,452		103,307		97,902		103,746
	70,132		59,863		52,504		45,217		44,529		35,149		54,336
	46,604		57,770		39,804		87,364		35,748		56,267		35,670
	38,451		71,280		78,875		71,581		87,739		13,286		9,348
	215,914		189,551		207,101		238,516		260,933		267,708		289,731
	41,446		20,829		33,890		49,200		39,718		37,846		16,304
	<u>1,743,871</u>		<u>1,632,308</u>		<u>1,741,620</u>		<u>1,882,934</u>		<u>1,978,832</u>		<u>1,966,664</u>		<u>2,021,227</u>
	279,663		265,489		299,739		305,594		334,883		335,344		363,126
	396,098		406,599		431,531		430,411		445,027		441,999		473,969
	226,623		228,128		245,650		254,603		252,608		255,451		285,567
	228,255		225,411		216,635		228,157		276,730		293,083		322,467
	149,344		120,594		108,836		120,102		144,145		147,397		175,931
	72,980		65,969		83,128		92,907		94,982		99,012		95,366
	218,724		81,559		63,846		82,812		79,745		90,673		97,978
	193,727		158,460		118,187		185,018		194,957		290,550		253,249
	70,614		46,323		66,534		42,812		37,077		36,428		40,961
	880		814		518		1,140		712		28		1,500
	56,695		37,399		36,070		34,135		40,330		39,108		54,994
	—		1,572		—		—		3,811		—		13,125
	<u>1,893,603</u>		<u>1,638,317</u>		<u>1,670,674</u>		<u>1,777,691</u>		<u>1,905,007</u>		<u>2,029,073</u>		<u>2,178,233</u>
	<u>(149,732)</u>		<u>(6,009)</u>		<u>70,946</u>		<u>105,243</u>		<u>73,825</u>		<u>(62,409)</u>		<u>(157,006)</u>
	274,458		302,999		192,049		253,570		173,710		138,412		143,061
	(286,274)		(294,922)		(173,249)		(253,139)		(174,166)		(140,795)		(146,077)
	(152,936)		(18,973)		(16,025)		—		(122,186)		—		(183,745)
	2,700		—		761		1,512		—		—		—
	153,964		94,808		51,713		121,200		123,294		—		226,971
	12,058		7,477		29,747		45,120		24,104		107,650		33,864
	<u>3,970</u>		<u>91,389</u>		<u>84,996</u>		<u>168,263</u>		<u>24,756</u>		<u>105,267</u>		<u>74,074</u>
	<u>(317,084)</u>		<u>(60,642)</u>		<u>(21,067)</u>		<u>—</u>		<u>165,382</u>		<u>—</u>		<u>—</u>
\$	<u>(462,846)</u>	\$	<u>24,738</u>	\$	<u>134,875</u>	\$	<u>273,506</u>	\$	<u>263,963</u>	\$	<u>42,858</u>	\$	<u>(82,932)</u>
	7.5%		5.7%		6.6%		4.8%		4.5%		4.3%		5.0%

**CITY OF SAN DIEGO**  
**ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY (UNAUDITED)**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**

Table 5

Fiscal Year Ended June 30	City				Successor Agency <sup>1</sup>				Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	
2009	\$ 162,580,727	\$ 7,880,341	\$ (6,795,274)	\$ 163,665,794	\$ 17,769,284	\$ 918,239	\$ (1,139,942)	\$ 17,547,581	0.172%
2010	161,637,831	8,164,394	(7,157,357)	162,644,868	17,353,633	912,524	(1,289,122)	16,977,035	0.172%
2011	158,803,280	7,873,095	(7,411,231)	159,265,144	17,676,415	953,539	(1,465,748)	17,164,206	0.172%
2012	160,568,111	7,614,792	(7,713,035)	160,469,868	17,354,546	967,108	(1,610,637)	16,711,017	0.172%
2013	159,731,138	7,784,851	(7,883,818)	159,632,171	17,571,696	977,717	(1,683,396)	16,866,017	0.172%
2014	166,492,182	8,229,813	(8,321,763)	166,400,232	18,265,071	984,082	(1,712,162)	17,536,991	0.172%
2015	176,702,157	8,671,311	(8,592,636)	176,780,832	19,634,360	1,015,145	(1,694,855)	18,954,650	0.172%
2016	187,297,981	8,906,099	(9,002,912)	187,201,168	21,169,427	1,032,849	(1,795,081)	20,407,195	0.172%
2017	197,932,308	8,861,982	(9,478,879)	197,315,411	22,939,735	1,078,149	(1,814,669)	22,203,215	0.172%
2018	210,056,793	9,316,411	(9,765,866)	209,607,338	24,856,106	1,127,636	(2,011,257)	23,972,485	0.172%

<sup>1</sup> Pursuant to ABX1 26, the former Redevelopment Agency (RDA) dissolved as of February 1, 2012, at which time the City, as Successor Agency, received the former RDA's assets and assumed the responsibility for winding down the former RDA's operations.

Sources: Avenu Insights and Analytics, LLC and San Diego County Assessor Data



**CITY OF SAN DIEGO**  
**ASSESSED VALUE OF PROPERTY BY USE CODE / ASSESSED VALUE BY MAJOR COMPONENT (UNAUDITED)**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**

Category	Fiscal Year			
	2009	2010	2011	2012
Residential	\$ 124,443,699	\$ 120,621,778	\$ 119,784,031	\$ 122,014,996
Commercial	22,625,089	24,076,649	22,994,996	22,615,974
Industrial	11,437,742	11,844,884	11,628,925	11,578,295
Institution	1,573,962	1,567,379	1,629,550	1,618,090
Recreation	1,378,998	1,446,525	1,287,482	1,341,813
Government	—	—	—	—
Agriculture	10,721	10,837	12,882	14,116
Rural	300,506	267,128	260,106	243,543
Vacant	3,023,483	2,942,888	2,947,884	2,892,284
Unknown	15,555,812	16,213,396	15,933,839	15,603,546
Gross Secured Value	180,350,012	178,991,464	176,479,695	177,922,657
Unsecured	8,798,579	9,076,918	8,826,634	8,581,900
Less Exemptions	(7,935,216)	(8,446,479)	(8,876,979)	(9,323,672)
Net Taxable Value	<u>\$ 181,213,375</u>	<u>\$ 179,621,903</u>	<u>\$ 176,429,350</u>	<u>\$ 177,180,885</u>

Use code categories are based on San Diego County Assessor's data.

Source: Avenu Insights and Analytics, LLC



Table 6

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 121,392,331	\$ 126,493,049	\$ 135,781,072	\$ 144,566,532	\$ 153,836,389	\$ 163,783,938
23,337,037	24,553,545	25,423,193	26,788,688	42,781,822	45,175,379
11,564,607	11,753,860	12,258,818	12,786,249	13,716,011	14,580,784
1,626,508	1,688,359	1,733,140	1,738,339	4,177,303	4,455,194
1,346,278	1,383,655	1,344,234	1,384,431	1,657,970	3,219,104
—	—	—	—	1,198,602	1,659,558
14,853	15,155	16,607	17,989	472,200	1,308,936
239,073	199,226	205,324	239,901	202,834	530,505
2,622,931	2,588,138	2,611,582	3,023,596	2,826,026	198,630
15,159,216	16,082,265	16,962,545	17,921,683	2,886	871
177,302,834	184,757,252	196,336,515	208,467,408	220,872,043	234,912,899
8,762,568	9,213,896	9,686,457	9,938,948	9,940,131	10,444,047
(9,567,214)	(10,033,925)	(10,287,491)	(10,797,993)	(11,293,548)	(11,777,123)
<u>\$ 176,498,188</u>	<u>\$ 183,937,223</u>	<u>\$ 195,735,481</u>	<u>\$ 207,608,363</u>	<u>\$ 219,518,626</u>	<u>\$ 233,579,823</u>

**CITY OF SAN DIEGO**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)**  
**Last Ten Fiscal Years**  
**(\$1 Per \$100 of Assessed Value)**

Basic City and County Direct Rates	Fiscal Year			
	2009	2010	2011	2012
County of San Diego	0.15731%	0.15731%	0.15731%	0.15731%
City of San Diego	0.17213%	0.17213%	0.17213%	0.17213%
San Diego Unified School District	0.44679%	0.44679%	0.44679%	0.44679%
San Diego Community College District	0.06463%	0.06463%	0.06463%	0.06463%
County School Service	0.00748%	0.00748%	0.00748%	0.00748%
County School Service - Capital Outlay	0.00189%	0.00189%	0.00189%	0.00189%
Childrens Institution Tuition	0.00160%	0.00160%	0.00160%	0.00160%
Regional Occupational Center	0.00477%	0.00477%	0.00477%	0.00477%
Carlsbad Project	0.00010%	0.00010%	0.00010%	0.00010%
Educational Revenue Augmentation Fund (ERAF)	0.14330%	0.14330%	0.14330%	0.14330%
<b>Total Basic City and County Direct Rates <sup>1</sup></b>	<b>1.00000%</b>	<b>1.00000%</b>	<b>1.00000%</b>	<b>1.00000%</b>
<b>Overlapping Rates</b>				
City of San Diego	0.01038%	0.01043%	0.00986%	0.00870%
Education	0.07396%	0.09152%	0.09164%	0.10410%
<b>Total Overlapping</b>	<b>0.08434%</b>	<b>0.10195%</b>	<b>0.10150%</b>	<b>0.11280%</b>
<b>Total Direct and Overlapping Tax Rates</b>	<b>1.08434%</b>	<b>1.10195%</b>	<b>1.10150%</b>	<b>1.11280%</b>

<sup>1</sup> Property tax rates in California do not utilize millage rates. Proposition 13, enacted by the voters in 1978-79, held property tax to a maximum of 1% of the assessed value. Rates over 1% are allowable only for voter approved bond indebtedness.

Sources: Avenu Insights and Analytics, LLC and San Diego County Auditor/Controller Data

Table 7

Fiscal Year					
2013	2014	2015	2016	2017	2018
0.15731%	0.15731%	0.15731%	0.15731%	0.15731%	0.15731%
0.17213%	0.17213%	0.17213%	0.17213%	0.17213%	0.17213%
0.44679%	0.44679%	0.44679%	0.44679%	0.44679%	0.44679%
0.06463%	0.06463%	0.06463%	0.06463%	0.06463%	0.06463%
0.00748%	0.00748%	0.00748%	0.00748%	0.00748%	0.00748%
0.00189%	0.00189%	0.00189%	0.00189%	0.00189%	0.00189%
0.00160%	0.00160%	0.00160%	0.00160%	0.00160%	0.00160%
0.00477%	0.00477%	0.00477%	0.00477%	0.00477%	0.00477%
0.00010%	0.00010%	0.00010%	0.00010%	0.00010%	0.00010%
0.14330%	0.14330%	0.14330%	0.14330%	0.14330%	0.14330%
1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
0.00850%	0.00850%	0.00850%	0.00850%	0.00850%	0.00850%
0.10303%	0.17427%	0.17051%	0.16609%	0.16582%	0.16117%
0.11153%	0.18277%	0.17901%	0.17459%	0.17432%	0.16967%
1.11153%	1.18277%	1.17901%	1.17459%	1.17432%	1.16967%

**CITY OF SAN DIEGO  
PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)  
Current Year and Nine Years Ago  
(Dollars in Thousands)**

Table 8

Property Tax Payer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
<b><u>For the Fiscal Year Ended June 30, 2018</u></b>		
Irvine Company, LLC	\$ 2,432,936	1.04%
Qualcomm, Inc.	1,992,117	0.85%
Kilroy Realty, LP	1,081,589	0.46%
Host Hotels & Resorts, LP	972,194	0.42%
Kaiser Foundation Health Plan	887,182	0.38%
One Park Boulevard, LLC	681,905	0.29%
Fashion Valley Mall, LLC	589,085	0.25%
BEX Portfolio, LLC	507,697	0.22%
ARE-SD Region, LLC	504,284	0.22%
Illumina Inc.	464,301	0.20%
<b><u>For the Fiscal Year Ended June 30, 2009</u></b>		
Irvine Company, LLC	1,857,690	1.03%
Qualcomm, Inc.	1,331,526	0.73%
Kilroy Realty, LP	1,267,152	0.70%
Manchester Resorts, LP	903,950	0.50%
Pfizer, Inc.	520,855	0.29%
Fashion Valley Mall, LLC	477,578	0.26%
San Diego Family Housing, LLC	447,698	0.25%
Trizec 701 B Street, LLC	444,676	0.25%
Seaworld Parks Entertainment	431,351	0.24%
Host Hotels & Resorts, LP	402,693	0.22%

Sources: Avenu Insights and Analytics, LLC and San Diego County Assessor Data

**CITY OF SAN DIEGO  
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)  
Last Ten Fiscal Years  
(Dollars in Thousands)**

**Table 9**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year <sup>1,2</sup>	Collected within the Fiscal Year of Levy			Total Collections to Date	
		Amount Collected <sup>2</sup>	Percent of Levy	Delinquent Collections <sup>3</sup>	Amount	Percent of Levy
2009	\$ 303,593	\$ 290,480	95.68%	\$ 10,424	\$ 300,904	99.11%
2010	297,217	286,303	96.33%	7,661	293,964	98.91%
2011	293,624	285,913	97.37%	4,783	290,696	99.00%
2012	296,007	289,530	97.81%	4,014	293,544	99.17%
2013	299,332	293,577	98.08%	2,805	296,382	99.01%
2014	315,060	308,606	97.95%	2,523	311,129	98.75%
2015	331,187	325,794	98.37%	2,637	328,431	99.17%
2016	330,483	327,903	99.22%	2,140	330,043	99.87%
2017	349,650	346,510	99.10%	2,249	348,759	99.75%
2018	370,127	367,047	99.17%	—	367,047	99.17%

<sup>1</sup> Property tax levies and collections for the General Fund and Zoological Exhibits Fund.

<sup>2</sup> Taxes levied and collected for the year include local assessment only.

<sup>3</sup> Delinquent Collections amounts do not include penalties and interest.

Source: County of San Diego

**CITY OF SAN DIEGO**  
**RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**

Governmental Activities						
Fiscal Year Ended June 30	Capital Lease Obligations	Qualified Energy Conservation Bonds/Lease Obligation	Notes Payable	Loans Payable	General Obligation Bonds	
2009	\$ 89,519	\$ —	\$ 4,786	\$ 78,347	\$ 6,315	
2010	84,561	—	3,301	110,891	4,340	
2011	68,018	13,142	—	52,963	2,240	
2012	69,638	12,392	—	38,748	—	
2013	65,369	11,637	—	27,268	—	
2014	58,094	10,864	—	17,633	—	
2015	92,539	10,071	—	9,568	—	
2016	86,500	9,259	—	8,480	—	
2017	165,626	8,429	—	7,341	—	
2018	197,649	7,578	—	6,383	—	
Business-Type Activities						
Fiscal Year Ended June 30	Capital Lease Obligations	Contracts Payable	Notes Payable	Loans Payable	Commercial Paper Notes	
2009	\$ —	\$ —	\$ —	\$ 90,326	\$ —	
2010	—	—	—	84,673	—	
2011	—	—	—	91,025	—	
2012	—	—	—	125,406	—	
2013	—	—	—	145,330	—	
2014	2,590	—	—	161,360	—	
2015	2,250	—	—	158,241	—	
2016	7,588	3,606	—	162,194	—	
2017	6,091	2,888	13	191,658	—	
2018	4,624	2,194	11	203,273	168,213	

<sup>1</sup> Personal income is disclosed in Table 16.

<sup>2</sup> Debt per Capita is calculated using population data, which is disclosed in Table 16.

Source: Comprehensive Annual Financial Reports

Table 10

Pooled Financing Bonds	Lease/ Bonds Net Debt	Tax Bonds Gross Debt	Tobacco Settlement-Asset Backed Bonds	Total Government Activities
\$ 33,352	\$ 575,468	\$ 554,607	\$ 95,380	\$ 1,437,774
32,690	545,082	551,029	92,350	1,424,244
31,938	529,536	637,247	89,600	1,424,684
—	492,532	—	86,195	699,505
—	546,884	—	81,635	732,793
—	572,008	—	77,785	736,384
—	670,977	—	73,705	856,860
—	641,832	—	69,440	815,511
—	615,280	—	64,570	861,246
—	583,508	—	89,195	884,313

Revenue Bonds Payable Net	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income <sup>1</sup>	Debt Per Capita <sup>2</sup>
\$ 2,207,986	\$ 2,298,312	\$ 3,736,086	8.72%	\$ 2.80
2,127,382	2,212,055	3,636,299	8.36%	2.68
2,060,529	2,151,554	3,576,238	8.87%	2.73
1,989,104	2,114,510	2,814,015	6.58%	2.13
1,915,775	2,061,105	2,793,898	6.42%	2.11
1,851,771	2,015,721	2,752,105	6.00%	2.04
1,771,085	1,931,576	2,788,436	6.02%	2.04
1,843,259	2,016,647	2,832,158	5.94%	2.04
1,735,166	1,935,816	2,797,062	5.53%	1.99
1,630,758	2,009,073	2,893,386	5.33%	2.04

**CITY OF SAN DIEGO**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)**  
**Last Ten Fiscal Years**

Table 11

Fiscal Year Ended June 30	General Obligation Bonds (Thousands)	Assessed Valuation (Thousands)	Percentage of Assessed Value <sup>1</sup>	Population	Debt Per Capita <sup>2</sup>
2009	\$ 6,315	\$ 163,665,794	0.004%	1,333,617	\$ 4.74
2010	4,340	162,644,868	0.003%	1,359,132	3.19
2011	2,240	159,265,144	0.001%	1,311,882	1.71
2012	—	160,469,868	—	1,321,315	—
2013	—	159,632,171	—	1,326,238	—
2014	—	166,400,232	—	1,345,895	—
2015	—	176,780,832	—	1,368,061	—
2016	—	187,201,168	—	1,391,676	—
2017	—	197,315,411	—	1,406,318	—
2018	—	209,607,338	—	1,419,845	—

Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

<sup>1</sup> Ratio is calculated using assessed property values.

<sup>2</sup> Ratio is calculated using population data.

Sources: Avenu Insights and Analytics, LLC, California Department of Finance, and Comprehensive Annual Financial Reports





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**CITY OF SAN DIEGO  
DIRECT AND OVERLAPPING DEBT (UNAUDITED)  
June 30, 2018  
(Dollars in Thousands)**

	Total Debt June 30, 2018	% Applicable <sup>1</sup>	City's Share of Debt June 30, 2018
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Metropolitan Water District	\$ 60,600	8.574%	\$ 5,196
Palomar Community College District	627,826	23.756%	149,146
San Diego Community College District	1,326,815	99.932%	1,325,913
Poway Unified School District School Facilities Improvement District No. 2002-1 & 2007-1	316,736	55.491, 56.185%	176,987
San Diego Unified School District	3,486,782	99.934%	3,484,481
San Dieguito Union High School District	336,955	33.328%	112,300
San Ysidro School District	124,119	82.740%	102,696
Other School, High School and Community College Districts	2,325,079	Various	236,893
Grossmont Healthcare District	261,328	8.026%	20,974
Palomar Pomerado Health System	436,359	28.031%	122,316
City of San Diego Special Assessment/Special Tax Bonds <sup>2</sup>	89,735	100%	89,735
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	23,340	100%	23,340
North City West School District Community Facilities District	50,418	100%	50,418
Poway Unified School District Community Facilities Districts	344,297	100%	344,297
San Dieguito Union High School District Community Facilities Districts	55,746	81.063-100%	50,862
Sweetwater Union High School District Community Facilities Districts	11,400	8.935-100%	8,504
Solana Beach School District Community Facilities Districts	30,980	100%	30,980
Other Special District 1915 Act Bonds	31,731	Various	21,317
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 6,356,355</u>
<b><u>DIRECT AND OVERLAPPING DEBT:</u></b>			
San Diego County General Fund Obligations	\$ 273,220	47.393%	\$ 129,487
San Diego County Pension Obligations	558,525	47.394%	264,702
San Diego Superintendent of Schools Certificates of Participation	10,785	47.394%	5,111
Palomar Community College District General Fund Obligations	555	21.228%	118
Poway Unified School District Certificates of Participation	61,719	64.758%	39,968
Sweetwater Union High School District Certificates of Participation	41,745	19.373%	8,087
Chula Vista School District General Fund Obligations	144,905	5.155%	7,470
San Ysidro School District Certificates of Participation	54,235	82.740%	44,874
Other School, High School and Community College District Certificates of Participation	138,960	Various	5,391
City of San Diego Obligations <sup>3</sup>	884,313	100%	884,313
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$ 1,389,521</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT	\$ 428,920	1.108-100%	\$ 392,736
TOTAL DIRECT DEBT			884,313
TOTAL OVERLAPPING DEBT			7,254,299
COMBINED TOTAL DEBT			8,138,612

**Table 12**Ratios to 2017-18 Assessed Valuations (\$235,048,440):

Total Overlapping Tax and Assessment Debt	2.70%
Total Direct Debt (\$884,313)	0.38%
Combined Total Debt	3.46%

Ratios to Successor Agency Incremental Valuation (\$24,038,926)

Total Overlapping Tax Increment Debt	1.63%
--------------------------------------	-------

<sup>1</sup> The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable assessed value.

<sup>2</sup> Amounts reconcile to Note 19, Total Special Assessment / Special Tax Bonds.

<sup>3</sup> Amounts for Total Debt reconcile to Note 5, Total Lease Revenue Bonds, Total QECB Obligations, Total Loans Payable, Section 108 Loans Payable, EVFP Capital Lease Obligations, Tobacco Settlement Asset Backed Bonds, and Other Capital Lease Obligations.

<sup>4</sup> Excludes Tax and Revenue Anticipation Notes, Enterprise Revenue, Mortgage Revenue and Non-Bonded Capital Lease Obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Sources: Avenu Insights and Analytics, LLC and Comprehensive Annual Financial Reports

**CITY OF SAN DIEGO  
LEGAL DEBT MARGIN SCHEDULE (UNAUDITED)  
Last Ten Fiscal Years  
(Dollars in Thousands)**

	Fiscal Year			
	2009	2010	2011	2012
Assessed valuation	\$ 163,665,794	\$ 162,644,868	\$ 159,265,144	\$ 160,469,868
Conversion percentage <sup>1</sup>	25%	25%	25%	25%
Adjusted assessed valuation	40,916,449	40,661,217	39,816,286	40,117,467
Debt limit percentage <sup>2</sup>	25%	25%	25%	25%
Debt limit <sup>3</sup>	10,229,112	10,165,304	9,954,072	10,029,367
Total net debt applicable to limit:				
General Obligation Bonds	6,315	4,340	2,240	—
Legal debt margin	10,222,797	10,160,964	9,951,832	10,029,367
Total debt applicable to the limit as a percentage of the debt limit	0.06%	0.04%	0.02%	—

<sup>1</sup> The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective in fiscal year 1982, each parcel is now assessed at 100% of market value. The calculations shown above present a conversion of assessed valuation data for each fiscal year from the current 100% valuation to the 25% level that was in effect at the time the legal debt margin was enacted.

<sup>2</sup> Section 90 of the City Charter provides that the bonded indebtedness for the development, conservation, and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation.

<sup>3</sup> The current debt limitation for Water is 15% of the Adjusted Assessed Valuation, or \$7,860,275 and the debt limitation for other purposes is 10% of the Adjusted Assessed Valuation, or \$5,240,184.

Sources: Avenu Insights and Analytics, LLC and Comprehensive Annual Financial Reports

Table 13

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 159,632,171	\$ 166,400,232	\$ 176,780,832	\$ 187,201,168	\$ 197,315,411	\$ 209,607,338	
25%	25%	25%	25%	25%	25%	
39,908,043	41,600,058	44,195,208	46,800,292	49,328,853	52,401,835	
25%	25%	25%	25%	25%	25%	
9,977,011	10,400,015	11,048,802	11,700,073	12,332,213	13,100,459	
—	—	—	—	—	—	
9,977,011	10,400,015	11,048,802	11,700,073	12,332,213	13,100,459	
—	—	—	—	—	—	

**CITY OF SAN DIEGO**  
**PLEDGED-REVENUE COVERAGE - WATER OBLIGATIONS (UNAUDITED)**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**

Fiscal Year Ended June 30	Total System Revenues	Total Maintenance and Operation Costs	Net System Revenues <sup>1</sup>	Less: Interest Earnings on Reserve Fund- Senior Obligations	Adjusted Net System Revenues <sup>2</sup>
2009	\$ 364,413	\$ 263,280	\$ 101,133	\$ (2,668)	\$ 98,465
2010	394,948	287,361	107,587	(3,767)	103,820
2011	397,755	285,059	112,696	(1,436)	111,260
2012	431,188	307,465	123,723	(1,919)	121,804
2013	444,751	342,989	101,762	(363)	101,399
2014	473,908	362,989	110,919	(1,017)	109,902
2015	468,274	381,389	86,885	(897)	85,988
2016	455,055	370,064	84,991	(4,474)	80,517
2017	498,520	402,475	96,045	(4)	96,041
2018 <sup>6</sup>	589,608	435,673	153,935	(35)	153,900

<sup>1</sup> As defined in the Amended and Restated Master Installment Purchase Agreement (MIPA), Net System Revenues are defined as "System Revenues" less "Maintenance and Operation Costs" of the Water System for the fiscal year.

<sup>2</sup> As defined in the MIPA, Adjusted Net System Revenues are the "Net System Revenues" less "an amount equal to earnings from investments in any Reserve Fund or Reserve Account" for the fiscal year.

<sup>3</sup> Includes Senior Bonds and State Revolving Fund (SRF) Loans. Utilizes definitions in accordance with the MIPA. Significant decrease in Adjusted Debt Service and increase in Adjusted Debt Service Coverage in FY 2017 because all outstanding Senior Bonds were refunded on a Subordinate lien in June 2016.

<sup>4</sup> All Obligations consist of Senior and Subordinate Bonds and State Revolving Fund (SRF) Loans. Utilizes definitions in accordance with the MIPA. Effective FY 2017, All Obligations includes debt service paid on Subordinate Commercial Paper Notes program. See Note 6.

<sup>5</sup> The coverage calculation as presented in Table 14 is pursuant to the MIPA coverage requirements such as maintaining minimum debt service coverage equal to at least equal to 1.20 for Senior Obligations and 1.00 for All Obligations. Additionally, there are various outstanding State Revolving Loans (SRF Loans) agreements pursuant to which the City has covenanted to maintain other coverage requirements such as maintaining minimum debt service coverage equal to at least 1.10 times the maximum annual debt service for All Obligations each Fiscal Year.

<sup>6</sup> Total System Revenues and affected coverage ratios are net of an approximate \$8,000 transfer to the Water Rate Stabilization Fund. Aggregate Debt Service coverage before the transfer was approximately 2.47.

Source: City of San Diego, Department of Finance

Table 14

Senior Obligations <sup>3</sup>					All Obligations <sup>4</sup>				
Principal	Interest	Total	Less: Senior Interest Earnings	Adjusted Debt Service	Adjusted Debt Service Coverage <sup>5</sup>	Total Debt Service	Aggregate Debt Service Coverage <sup>5</sup>		
\$ 9,065	\$ 12,289	\$ 21,354	\$ (2,668)	\$ 18,686	5.27	\$ 49,600	2.04		
1,035	27,268	28,303	(3,767)	24,536	4.23	56,978	1.89		
6,355	27,760	34,115	(1,436)	32,679	3.40	62,784	1.79		
7,164	30,354	37,518	(1,919)	35,599	3.42	66,191	1.87		
8,719	30,988	39,707	(363)	39,344	2.58	64,210	1.58		
8,986	30,935	39,921	(1,017)	38,904	2.82	66,691	1.66		
9,330	30,733	40,063	(897)	39,166	2.20	66,835	1.30		
10,580	30,413	40,993	(4,474)	36,519	2.20	67,389	1.26		
2,703	1,302	4,005	(4)	4,001	24.00	61,842	1.55		
2,820	1,439	4,259	(35)	4,224	36.43	65,613	2.35		

**CITY OF SAN DIEGO**  
**PLEDGED-REVENUE COVERAGE - SEWER OBLIGATIONS (UNAUDITED)**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**

Table 15

Fiscal Year Ended June 30	Total System Revenues	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues <sup>1</sup>	Senior Obligations <sup>2</sup>			Senior Debt Service Coverage <sup>4</sup>	All Obligations <sup>3</sup>	
				Principal	Interest	Total		Total Debt Service	Aggregate Debt Service Coverage <sup>4</sup>
2009	\$ 353,446	\$ 197,379	\$ 156,067	\$ 31,700	\$ 45,356	\$ 77,056	2.03	\$ 94,305	1.65
2010	406,076	220,701	185,375	43,320	59,909	103,229	1.80	109,288	1.70
2011	380,575	198,773	181,802	42,620	59,868	102,488	1.77	108,547	1.67
2012	391,587	202,132	189,455	44,230	58,253	102,483	1.85	108,542	1.75
2013	385,211	205,215	179,996	46,120	56,368	102,488	1.76	108,547	1.66
2014	396,042	210,981	185,061	48,821	54,473	103,294	1.79	109,353	1.69
2015	382,164	195,358	186,806	51,576	52,461	104,037	1.80	110,096	1.70
2016	368,195	192,185	176,010	66,187	34,633	100,820	1.75	106,879	1.65
2017	382,599	218,336	164,263	58,455	43,974	102,429	1.60	108,489	1.51
2018 <sup>5</sup>	388,395	223,013	165,382	61,751	41,376	103,127	1.60	109,185	1.51

<sup>1</sup> As defined in the Master Installment Purchase Agreement (MIPA), Net System Revenues are defined as "System Revenues" less "Maintenance and Operation Costs" of the Wastewater System for the fiscal year.

<sup>2</sup> Includes all Senior Bonds and State Revolving Fund (SRF) Loans and utilizes the definitions in accordance with the MIPA.

<sup>3</sup> All Obligations consist of Senior Bonds, Senior State Revolving Fund (SRF) Loans and Subordinate SRF Loans. Utilizes definitions in accordance with the MIPA.

<sup>4</sup> The coverage calculation as presented in Table 15 is pursuant to the MIPA, which requires a minimum debt service coverage should be at least equal to 1.20 for Senior Obligations and 1.00 for All Obligations. Additionally, there are various outstanding State Revolving Fund Loans (SRF Loans) agreements pursuant to which the City has covenanted to maintain other coverage requirements such as maintaining minimum debt service coverage equal to at least 1.20 the maximum annual debt service for Senior Obligations and 1.10 the maximum annual debt service for All Obligations in each Fiscal Year.

<sup>5</sup> Total System Revenues and affected coverage ratios are net of an approximate \$7,500 transfer to the Sewer Rate Stabilization Fund. Aggregate Debt Service coverage before the transfer was approximately 1.58.

Source: City of San Diego, Department of Finance



**CITY OF SAN DIEGO  
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)  
Last Ten Fiscal Years**

Table 16

Fiscal Year Ended June 30	Population <sup>1</sup>	Personal Income (Thousands)	Per Capita Personal Income <sup>2</sup>	City Unemployment Rate <sup>3</sup>
2009	1,333,617	\$ 42,857,116	\$ 32,136	6.0%
2010	1,359,132	43,522,125	32,022	9.7%
2011	1,311,882	40,336,436	30,747	10.2%
2012	1,321,315	42,754,529	32,358	9.5%
2013	1,326,238	43,540,765	32,830	8.9%
2014	1,345,895	45,869,488	34,081	6.1%
2015	1,368,061	46,297,920	33,842	4.6%
2016	1,391,676	47,718,552	34,289	4.9%
2017	1,406,318	50,542,056	35,939	4.4%
2018	1,419,845	54,274,285	38,225	3.1%

<sup>1</sup> Population projections are provided by the California Department of Finance Projections.

<sup>2</sup> Income data is provided by the United States Census Bureau.

<sup>3</sup> Unemployment Data is provided by the California Employment Development Department's Bureau of Labor Statistics Department.

Sources: Avenu Insights and Analytics, LLC and California Department of Finance

**CITY OF SAN DIEGO  
PRINCIPAL EMPLOYERS (UNAUDITED)  
Current Year and Nine Years Ago**

Table 17

Employer	Number of Employees	Percentage of Total Employment <sup>1</sup>
<b>For the Fiscal Year Ended June 30, 2018</b>		
Naval Base San Diego <sup>2</sup>	38,729	5.42%
University of California, San Diego <sup>3</sup>	37,412	5.24%
Sharp Health Care <sup>4</sup>	18,364	2.57%
County of San Diego	18,132	2.54%
San Diego Unified School District	13,815	1.93%
Scripps Health <sup>5</sup>	12,000	1.68%
City of San Diego <sup>6</sup>	11,538	1.61%
Qualcomm Inc <sup>7</sup>	10,700	1.50%
Kaiser Permanente <sup>8</sup>	9,599	1.34%
San Diego Community College District <sup>9</sup>	6,447	0.90%
Total Top Employers	176,736	24.73%
<b>For the Fiscal Year Ended June 30, 2009</b>		
Naval Base San Diego <sup>2</sup>	55,300	7.91%
San Diego Unified School District	21,959	3.14%
University of California San Diego <sup>3</sup>	19,435	2.78%
County of San Diego	17,900	2.56%
Sharp Health Care <sup>4</sup>	14,724	2.11%
City of San Diego <sup>6</sup>	10,799	1.54%
Kaiser Permanente <sup>8</sup>	7,220	1.03%
University of San Diego	6,086	0.87%
Qualcomm Inc <sup>7</sup>	6,000	0.86%
UC San Diego Medical Center	5,300	0.76%
Total Top Employers	164,723	23.56%

<sup>1</sup> Percentage based on total employment of 714,300 and 699,100 for fiscal years 2018 and 2009, respectively.

<sup>2</sup> Includes Active Duty Navy and Marine, and Civil Services employees.

<sup>3</sup> Includes full and part-time, academic and support, and UCSD Medical Center, School of Medicine.

<sup>4</sup> Employee count is countywide.

<sup>5</sup> Scripps Health employees within city limits, not including Mercy Hospital in Chula Vista.

<sup>6</sup> As of the last pay-period of the fiscal year.

<sup>7</sup> Excludes temps and interns.

<sup>8</sup> Includes physicians.

<sup>9</sup> Excludes out of state military instructors.

Sources: Avenu Insights and Analytics, LLC and City of San Diego, Department of Finance - Payroll Division

**CITY OF SAN DIEGO**  
**FULL-TIME AND PART-TIME CITY EMPLOYEES BY FUNCTION (UNAUDITED) <sup>1</sup>**  
**Last Ten Fiscal Years**

Table 18

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government and Support	2,248	2,217	2,143	2,101	2,058	2,134	2,283	2,433	2,569	2,611
Public Safety - Police	2,674	2,547	2,409	2,402	2,427	2,489	2,519	2,577	2,540	2,564
Public Safety - Fire, Life Safety, Homeland Security	1,304	1,331	1,265	1,208	1,235	1,283	1,397	1,428	1,433	1,450
Parks, Recreation, Culture and Leisure	1,682	1,675	1,556	1,525	1,646	1,720	1,871	1,908	1,976	1,896
Transportation	279	282	280	276	298	325	337	376	409	403
Sanitation and Health	164	156	153	132	121	135	139	144	128	127
Neighborhood Services	145	132	137	127	141	152	162	172	169	185
Airports	16	16	17	17	18	16	18	21	19	17
Development Services	329	258	259	268	293	332	367	408	415	426
Environmental Services	168	172	160	157	153	145	154	145	139	103
Golf Course	97	93	89	100	98	106	106	108	102	114
Recycling	100	97	87	94	97	104	93	85	83	126
Sewer Utility	817	781	762	731	721	775	693	694	660	653
Water Utility	776	742	734	703	720	695	829	888	841	863
Total Employees	<u>10,799</u>	<u>10,499</u>	<u>10,051</u>	<u>9,841</u>	<u>10,026</u>	<u>10,411</u>	<u>10,968</u>	<u>11,387</u>	<u>11,483</u>	<u>11,538</u>

<sup>1</sup> As of the last pay-period of the fiscal year.

Source: City of San Diego, Department of Finance - Payroll Division

**CITY OF SAN DIEGO  
OPERATING INDICATORS BY FUNCTION (UNAUDITED)  
Last Ten Fiscal Years**

Function	Fiscal Year			
	2009	2010	2011	2012
<u>Public Safety - Police</u>				
Calls for Police Services Dispatched	668,989	653,086	633,328	583,629
Calls for 9-1-1 Emergencies	506,738	501,094	542,010	572,808
<u>Public Safety - Fire and Life Safety and Homeland Security</u>				
Fire Department:				
Emergency Calls - Fire	3,868	2,740	2,559	2,557
Emergency Calls - Medical/Rescue	94,422	97,049	100,460	104,086
Emergency Calls - Other	13,671	14,295	15,245	16,478
Lifeguard:				
Water Rescues	5,233	5,066	4,187	6,011
Other Rescues	4,813	5,002	5,574	6,094
Beach Attendance	21,166,884	25,774,465	22,186,170	24,558,435
<u>Parks, Recreation, Culture and Leisure</u>				
Parks and Recreation:				
Number of Aquatic Users	311,173	303,200	299,145	304,900
Number of Youth Served in After School Program Sites	84,140	89,790	92,035	78,500
Library:				
Circulation	7,651,619	7,706,431	7,129,443	6,973,727
Total Attendance - All Libraries	6,601,210	6,143,281	5,771,767	5,602,380
<u>Sewer Utility</u>				
Average Daily Sewage Flow (millions of gallons)	171	166	170	164
Average Daily Peak - Maximum Sewage Flow (millions of gallons)	268	288	410	226
System Daily Capacity (millions of gallons)	255	255	255	255
<u>Water Utility</u>				
Average Daily Production (millions of gallons)	194	179	171	172
Maximum Daily Production (millions of gallons)	283	243	239	247
Total Water Consumption (millions of gallons)	70,893	59,567	56,760	60,944
Total Water Production (millions of gallons)	77,014	65,644	62,511	63,240

<sup>1</sup> Number of Calls for 9-1-1 emergencies is missing calls received during June 4th through June 30th, 2014.

<sup>2</sup> Number of calls for police dispatch is unavailable for FY18 due to a new computer aided dispatch system implementation.

Source: City Departments

Table 19

Fiscal Year					
2013	2014	2015	2016	2017	2018
570,628	583,556	562,360	529,564	515,351	(2)
605,015	583,391 <sup>1</sup>	626,694	615,158	595,309	622,696
3,659	3,184	5,591	5,639	5,845	6,288
112,864	113,858	124,189	136,750	138,632	140,704
12,698	12,838	12,748	11,875	12,024	11,531
5,482	5,299	6,673	7,835	8,611	8,830
6,714	5,486	6,281	5,584	5,265	4,829
23,403,527	23,414,313	24,928,079	17,939,665	16,266,398	17,723,916
308,025	296,000	311,788	304,125	321,751	315,315
81,889	109,670	107,515	108,160	128,774	147,516
6,956,000	6,877,913	6,923,853	6,840,359	6,322,664	77,439,703
5,818,941	6,170,931	6,654,351	6,940,237	6,591,169	6,772,535
160	155	149	146	156	146
207	196	187	220	298	196
255	255	255	255	255	255
181	188	171	150	158	166
249	267	243	215	220	218
62,501	65,552	60,474	54,702	49,209	52,015
66,167	68,457	62,289	54,875	57,709	60,532

**CITY OF SAN DIEGO  
CAPITAL ASSET STATISTICS BY FUNCTION (UNAUDITED)  
Last Ten Fiscal Years**

Function	Fiscal Year			
	2009	2010	2011	2012
<u>Public Safety - Police</u>				
Stations <sup>1</sup>	10	10	10	10
<u>Public Safety - Fire and Life Safety and Homeland Security</u>				
Fire Stations	47	47	47	47
<u>Parks, Recreation, Culture and Leisure</u>				
Parks and Recreation Sites	384	385	385	387
<u>Transportation</u>				
Miles of Streets - Concrete and Asphalt <sup>2</sup>	2,721	2,774	2,774	2,774
<u>Airports</u>				
Municipal Airports	2	2	2	2
<u>Golf Course</u>				
Municipal Golf Courses <sup>3</sup>	10	10	10	10
<u>Sewer Utility</u>				
Miles of Sewers	3,023	2,991	3,146	3,017
Sewer Service Laterals	273,438	273,587	274,464	274,788
<u>Water Utility</u>				
Miles of Water Distribution Mains	3,281	3,294	3,190	3,277
Water Meters in Service	274,310	276,217	274,310	276,478
Fire Hydrants	25,023	25,044	25,060	25,098

<sup>1</sup> Includes Headquarters and Traffic.

<sup>2</sup> Numbers for 2016 - 2018 includes alleys.

<sup>3</sup> Includes City operated as well as leased golf courses.

Sources: Comprehensive Annual Financial Reports and City Departments

Table 20

Fiscal Year					
2013	2014	2015	2016	2017	2018
10	11	11	11	11	11
47	47	47	48	48	49
387	387	387	387	390	395
2,777	2,777	2,778	2,981	2,964	2,996
2	2	2	2	2	2
10	10	10	10	10	10
3,021	3,020	3,026	3,031	3,031	3,032
275,404	261,632	261,837	264,652	262,275	262,252
3,294	3,376	3,384	3,295	3,294	3,295
276,998	278,241	279,625	280,631	283,751	284,202
25,157	25,195	25,364	25,492	25,533	25,534