

**ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014
RELATING TO**

**\$8,850,000
CITY OF SAN DIEGO
REASSESSMENT DISTRICT NO. 2003-1
LIMITED OBLIGATION REFUNDING BONDS**

(CUSIP Number 797283)

The following Annual Report is being provided by the City of San Diego (the "City") for the above stated issue (the "Bonds"), pursuant to the Continuing Disclosure Certificate requirements and in compliance with Securities and Exchange Commission Rule 15c2-12 for the fiscal year ending June 30, 2014 (the "Annual Report").

The Annual Report, including any amendment or supplement hereto, is electronically transmitted by the City acting as the Dissemination Agent to the Electronic Municipal Market Access ("EMMA") System of the Municipal Securities Rulemaking Board ("MSRB").

The Annual Report is provided in accordance with the terms of the Continuing Disclosure Certificate, and does not purport to provide full and complete information on the terms of the Bonds. The filing of the Annual Report does not constitute or imply any representation that no changes, circumstances or events have occurred since the end of the fiscal year to which the Annual Report relates (other than as contained in the Annual Report), or that no other information exists which may have a bearing on the security for the Bonds, or an investor's decision to buy, sell or hold the Bonds. Certain information and data provided herein was obtained from sources other than the City (the "Outside Information"), as indicated by the source citations. Although the information contained in the Annual Report has been obtained from sources which are believed to be reliable, the City has not independently verified such Outside Information, and the City cannot guarantee its completeness or accuracy. No statements in this annual report should be construed as a prediction or representation about future financial performance of the City or Reassessment District 2003-1.

The City is acting as the Dissemination Agent for the above stated issuance. The City does not have any obligation to update this report other than as expressly provided in the Continuing Disclosure Certificate.

Any statements regarding the above stated issuance, other than a statement made by the City in an official release or subsequent notice or annual report, published in a financial newspaper of general circulation and/or filed with the MSRB's EMMA system, are not authorized by the City. The City shall not be responsible for the accuracy, completeness or fairness of any such unauthorized statement.

DATED: March 9, 2015

CITY OF SAN DIEGO

By: Mary Lewis
Mary Lewis
Chief Financial Officer

**CITY OF SAN DIEGO
REASSESSMENT DISTRICT NO. 2003-1
LIMITED OBLIGATION REFUNDING BONDS**

**Annual Report Under the Continuing Disclosure Certificate
Fiscal Year Ending June 30, 2014**

This Annual Report includes information required by the Continuing Disclosure Certificate for City of San Diego Reassessment District No. 2003-1 Limited Obligation Refunding Bonds.

1. Financial Statements:

The requirement that the City file its audited financial statements as a part of the Annual Report has been included in the Disclosure Agreement solely to satisfy the provisions of Rule 15c2-12. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the City.

The City of San Diego's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014 (CAFR), which includes the City's Fiscal Year 2014 audited financial statements, was electronically submitted to the EMMA System of the MSRB on March 13, 2015. The District Funds are included in the Required Supplementary Information section, under the heading Fiduciary Funds, Other Miscellaneous Agency. The capital improvements financed by District Funds are reported in the Required Supplementary Information section, under the heading Nonmajor Governmental Funds Capital Projects, Unbudgeted Special Assessment/Special Tax Bonds column, of the City's CAFR. Additional information related to outstanding Special Assessment/Special Tax Bonds can be found in Note 18 of the City's CAFR.

2. Other financial information and operating data relating to the District contained in the Official Statement for the Bonds (all data as of December 31, 2014, except as noted in the attached tables):

2.1 Principal amount of Bonds outstanding: \$ 2,405,000

Source: City of San Diego, Debt Management

2.2 Balance in the Redemption Fund: \$ 105,786

Source: US Bank Fiscal Agent Statements; City of San Diego, Debt Management

2.3 Balance in the Reserve Fund: \$ 880,379

Source: US Bank Fiscal Agent Statements; City of San Diego, Debt Management

Reserve Requirement: \$879,290

Equal to the least of:

- (i) Maximum Annual Debt Service for the Bonds,
- (ii) One hundred twenty-five percent (125%) of Average Annual Debt Service for the Bonds, or
- (iii) Ten percent (10%) of the original principal amount of the Bonds less original issue discount, if any, plus original issue premium, if any, applicable to the Bonds.

Source: City of San Diego, Debt Management

2.4 Updates of the following tables in the Official Statement are attached:

Table 2 - Development Status and Land Use Summary

Table 4 - Assessed Value-To-Lien Ratio Ranges

Table 6 - Appraised Value-To-Lien Ratios by Property Owner (excluding the columns headed "Appraised Value" and "Appraised Value-To-Lien Ratio")

Table 11 - Delinquency History

3. The following is an update of certain information originally presented in the Official Statement for the Bonds regarding litigation:

Border Business Park, Inc. (aka De La Fuente Business Park, Inc.) v. City of San Diego

Starting in 1995, an Otay Mesa developer filed the first of five lawsuits against the City concerning activities surrounding the development of a business park adjacent to the Mexican border. Four cases involve alleged breaches of a 1986 development agreement and inverse condemnation. The fifth concerns an alleged breach of a sewer reimbursement agreement. The developer, Roque De La Fuente, controls all of the plaintiff entities. In the first lawsuit, *Border Business Park, Inc. III*, a jury returned a verdict of \$94.5 million in plaintiff's favor. On appeal, however, the Court of Appeal overturned the jury's verdict and ordered a new trial on the breach of contract claim only. Two other lawsuits, *National Enterprises, Inc.* and *Otay Acquisitions, LLC*, were stayed during the pendency of the *Border Business Park* appeal. Upon remand, the City successfully demurred in each of the three cases, and each was dismissed. Plaintiff subsequently filed appeals in these matters. On June 7, 2010, the California Court of Appeal, Fourth Appellate District, Division Two, reversed the judgments entered in favor of the City on the breach of contract causes of action only. The dismissal of the inverse condemnation causes of action was affirmed. A fourth lawsuit, *Otay Truck Parking, L.P.*, setting forth substantially similar allegations, including an inverse condemnation claim, was filed in August 2009. The fifth lawsuit, *Border Business Park, Inc. IV*, was filed in April 2011. These matters are currently awaiting the assignment of a new trial date. The possible aggregate exposure of these cases ranges between \$0 and \$30 million.

Source: City of San Diego, City Attorney's Office

Table 2
City of San Diego Reassessment District No. 2003-1
Development Status and Land Use Summary

Land Use ⁽¹⁾	Number of Parcels	2014-15 Assessed Values ⁽²⁾	Aggregate Remaining Reassessment Lien ⁽³⁾	Percentage of Parcels	Percentage of Lien	Assessed Value- to-Lien Ratio
Developed	91	\$115,164,756	\$1,538,042	65.47%	63.28%	74.88
Federal ⁽⁴⁾	2	0	14,328	1.44%	0.59%	N/A
Under Construction	0	0	0	0.00%	0.00%	N/A
Undeveloped	46	20,480,020	878,299	33.09%	36.13%	23.32
Grand Total	139	\$135,644,776	\$2,430,669	100.00%	100.00%	55.81

⁽¹⁾ Land Use data based on parcel permit searches from the Development Services - Project Tracking System as of January 22, 2015.

⁽²⁾ Assessed Value includes land and improvement value per the San Diego County Fiscal Year 2014-15 Secured Roll as of January 1, 2014.

⁽³⁾ Debt Service payment was September 2, 2014; Aggregate Remaining Reassessment Lien as of September 3, 2014 (inclusive of two parcels that prepaid their assessments on 10/28/14 and 1/15/15).

⁽⁴⁾ Includes two parcels owned by the United States of America with a zero assessed value.

Source: Willdan Financial Services

Table 4
City of San Diego Reassessment District No. 2003-1
Assessed Value to Lien Ratio Ranges

<u>2014-15 Assessed Values⁽¹⁾</u>								
Assessed Value-to- Lien Range	Number of Parcels	Land	Improvement	Total	Aggregate Remaining Reassessment Lien ⁽²⁾	Assessed Value-to- Lien Ratio	Percentage of Lien	
20:1 and over	110	\$60,790,426	\$69,109,407	\$129,899,833	\$1,897,396	68.46	78.06%	
10:1 to 19.99:1	20	3,926,607	14,655	3,941,262	269,128	14.64	11.07%	
5:1 to 9.99:1	7	1,779,783	23,898	1,803,681	249,817	7.22	10.28%	
3:1 to 4.99:1	0	0	0	0	0	N/A	0.00%	
2:1 to 2.99:1	0	0	0	0	0	N/A	0.00%	
1:1 to 1.99:1	0	0	0	0	0	N/A	0.00%	
Less Than 1:1 ⁽³⁾	2	0	0	0	14,328	N/A	0.59%	
Grand Total	139	\$66,496,816	\$69,147,960	\$135,644,776	\$2,430,669	55.81	100.00%	

⁽¹⁾ Assessed Value includes land and improvement value per the San Diego County Fiscal Year 2014-15 Secured Roll as of January 1, 2014.

⁽²⁾ Debt Service payment was September 2, 2014; Aggregate Remaining Reassessment Lien as of September 3, 2014 (inclusive of two parcels that prepaid their assessments on 10/28/14 and 1/15/15).

⁽³⁾ Includes two parcels owned by the United States of America with a zero assessed value.

Source: Willdan Financial Services

Table 6
City of San Diego Reassessment District No. 2003-1
Value to Lien Ratio Ranges for the Original Appraised Parcels by Owner

Owner ⁽¹⁾	Number of Parcels	Aggregate Remaining Reassessment Lien ⁽²⁾	Percentage of Lien ⁽³⁾	2014-15 Assessed Values ⁽⁴⁾	Assessed Value to Lien Ratio
GARCIA KARLA L	1	\$16,352	0.67%	\$533,012	32.60
LOPEZ ALEX & ROSE	1	8,667	0.36%	301,553	34.79
OTAY CONCRETE PARKING L P	2	26,516	1.09%	339,794	12.81
OTAY MESA PROPERTY L P ⁽⁵⁾	4	101,473	4.18%	838,132	8.26
OTAY TRUCK PARKING L P ⁽⁵⁾	1	14,440	0.59%	173,456	12.01
UNIT 5 L P	1	72,594	2.99%	572,634	7.89
UNIT 7 L P	1	68,404	2.81%	434,497	6.35
UNITED STATES OF AMERICA ⁽⁶⁾	2	14,328	0.59%	0	N/A
Grand Total	13	\$322,774	13.28%	\$3,193,078	9.89

⁽¹⁾ Certain Parcels of the 14 Original Parcels as shown in the Official Statement have changed ownership and configuration.

⁽²⁾ Debt Service payment was September 2, 2014; Aggregate Remaining Reassessment Lien as of September 3, 2014.

⁽³⁾ Percentage of Total Aggregate Remaining Reassessment Lien of \$2,430,669.

⁽⁴⁾ Assessed Value includes land and improvement value per the San Diego County Fiscal Year 2014-15 Secured Roll as of January 1, 2014.

⁽⁵⁾ Reassessment Nos. 94, 95, 96 & 98 were reconfigured in 2005 into Reassessment Nos. 121, 122, 123 & 124. Reassessment No. 124 (APN 646-120-46-00) is exempt from the assessment lien. It has been included in the total number of parcels, however, it is exempt and provides no security for the lien and its assessed value has not been included.

⁽⁶⁾ Includes two parcels owned by the United States of America with a zero assessed value.

Source: Willdan Financial Services

Table 11
City of San Diego Reassessment District No. 2003-1
Delinquency History

Fiscal Year	Number of Parcels Assessed	Total Assessment Levy	Fiscal Year-End Delinquencies ⁽¹⁾		Amount Remaining Delinquent As of 2/18/2015 ⁽²⁾	Percent Remaining Delinquent As of 2/18/2015
			Amount Delinquent	Percent Delinquent		
2013-14	139	\$900,803	\$17,242	1.91%	\$9,661	1.07%
2012-13	139	915,637	5,544	0.61%	635	0.07%
2011-12	139	923,081	24,502	2.65%	640	0.07%
2010-11	139	944,152	24,090	2.55%	0	0.00%
2009-10	136	946,732	53,150	5.61%	3,603	0.38%
2008-09	137	833,040	67,268	8.08%	3,171	0.38%
2007-08	137	903,030	7,157	0.79%	0	0.00%
2006-07	134	900,119	15,363	1.71%	0	0.00%
2005-06	121	936,205	8,825	0.94%	0	0.00%
2004-05	111	938,337	19,765	2.11%	0	0.00%
2003-04	121	991,921	17,272	1.74%	0	0.00%
2002-03	129	1,195,333	22,899	1.92%	0	0.00%
2001-02	127	1,232,834	36,527	2.96%	0	0.00%
2000-01	124	1,217,147	132,693	10.90%	0	0.00%
1999-00	128	1,230,942	42,374	3.44%	0	0.00%
1998-99	128	1,218,615	162,818	13.36%	0	0.00%
Total Amount Delinquent:					\$17,710	

⁽¹⁾ Reflects final fiscal year end data reported in August of each year; delinquent data prior to Fiscal Year 2004-05 are from reports generated by the County Auditor and Controller in either July or August of each year; data does not include penalties and interest.

⁽²⁾ Amount remaining delinquent as of February 18, 2015 does not include penalties and interest.

Summary of Delinquent Parcels Currently Meeting the Foreclosure Threshold:

The District has covenanted that it will commence judicial foreclosure proceedings against parcels with delinquent special assessments in excess of \$7,500 by November 1 following the close of each fiscal year in which such special assessments were due. The City Council authorized the filing of a judicial foreclosure lawsuit on September 13, 2012 for one delinquent parcel that met the foreclosure threshold. Subsequently, the parcel owner filed for Chapter 13 Bankruptcy. The City Attorney's Office filed its claim with the bankruptcy court on February 4, 2013. The bankruptcy court allowed the parcel owner to file a Plan of Reorganization by making regular monthly payments on the delinquent installments and penalties. On January 15, 2015, the parcel owner paid all delinquent installments and penalties.

As of February 18, 2015, there were eight delinquent parcels (some under common ownership) that reached the foreclosure threshold. The parcels were referred to the City Attorney's Office to initiate the foreclosure process.

Source: City of San Diego, Debt Management; San Diego County Delinquency Reports ST280190 and ST28009002