

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

\$453,775,000

**PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
SENIOR SEWER REVENUE BONDS, SERIES 2009A**

\$634,940,000

**PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
SENIOR SEWER REVENUE REFUNDING BONDS, SERIES 2009B**

\$161,930,000

**PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
SENIOR SEWER REVENUE REFUNDING BONDS, SERIES 2010A**

(CUSIP Number 79730A)

Introduction

The Public Facilities Financing Authority of the City of San Diego Senior Sewer Revenue Bonds, Series 2009A (“2009A Bonds”), Senior Sewer Revenue Refunding Bonds, Series 2009B (“2009B Bonds”) and Senior Sewer Revenue Refunding Bonds, Series 2010A (“2010A Bonds”) are collectively referred to as the “Outstanding Sewer Bonds”.

This Annual Report for the Fiscal Year ended June 30, 2014 is being provided by the City of San Diego (the “City”), on behalf of itself and the Public Facilities Financing Authority of the City of San Diego (the “Authority”), pursuant to the Continuing Disclosure Certificates (the “Certificates”) between the City and The Bank of New York Mellon Trust Company, as Trustee (the “Trustee”), relating to the Outstanding Sewer Bonds, entered into to allow the respective underwriters to comply with Securities and Exchange Commission Rule 15c2-12.

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 transmitted to the Electronic Municipal Market Access (“EMMA”) System of the Municipal Securities Rulemaking Board (“MSRB”) on March 13, 2015.

This Annual Report is being transmitted electronically by the City to the EMMA System of the MSRB. This Annual Report is provided in accordance with the terms of the Continuing Disclosure Certificates and does not purport to provide full and complete information on the terms of the above stated issuances. The filing of this 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 this Annual Report relates (other than as contained in this Annual Report), or that no other information exists, which may have a bearing on the security for the above stated issuances or an investor’s decision to buy, sell or hold the above-stated issuances. Certain information and data provided herein was obtained from sources other than the City (“Outside Information”), as indicated by the source citations. Although the information contained in this Annual Report has been obtained from sources that are believed to be reliable, the City has not independently verified such Outside Information, and the City cannot guarantee its completion or accuracy. Certain of the information presented in this Annual

Report may contain forward-looking statements. Forward-looking statements may be indicated by forward-looking words such as “may,” “will,” “should,” “expects,” “believes,” “anticipates,” “estimates,” or others. Forward looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the City, the Authority, the Wastewater System or the Outstanding Sewer Bonds.

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

Any statements regarding the above referenced issuances, other than a statement made by the City in an official release that is filed with the MSRB’s EMMA system or posted on the City’s investor information webpage, are not intended to be the basis of, nor should be relied upon in making an investment decision. The City shall not be responsible for the accuracy, completeness or fairness of any statements other than those obtained in the aforementioned locations.

DATED: 3/27, 2015

CITY OF SAN DIEGO

By: Mary Lewis
Mary Lewis
Chief Financial Officer

Distribution: Municipal Securities Rulemaking Board, Electronic Municipal Market Access System
The Bank of New York Mellon Trust Company (Trustee)

FINANCIAL AND OPERATING DATA

As required by the Continuing Disclosure Certificates of the Outstanding Sewer Bonds, below are updates for the Tables titled “Metropolitan Sub-System City and Participating Agencies Flow and Capacity Rights,” “Wastewater System Total Annual Flow,” “Wastewater System Historical Sources of Sewer Service Charge Revenues,” “Municipal Sub-System Ten Largest Customers,” “Approved Rate Increases for Single Family Residential, Multifamily and Commercial and Industrial Customers,” “Sewer Customer Accounts Receivable and Shut-Offs,” “Municipal Sub-System Sewer Revenue Fund Historical Capacity Charge Revenues,” “Rate History for Sewer Capacity Charges,” “Statements of Revenues, Expenses and Changes in Fund net Assets,” “Sewer Revenue Fund Reserves,” “Calculation of Historic Parity Debt Service Coverage,” “Liability Claims Budgeted and Expenditures,” “City of San Diego Pooled Investment Fund” and “City of San Diego Schedule of Funding Progress”.

Updates of information under the heading “WASTEWATER SYSTEM FINANCIAL OPERATIONS” under the captions “Labor Relations,” “Insurance and Liability Claims,” “Investment of Funds,” “Wastewater System Share of Contribution to Pension System,” and “Postemployment Healthcare Benefits” for the Outstanding Sewer Bonds are also contained in this Annual Report.

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**METROPOLITAN SUB-SYSTEM
CITY AND PARTICIPATING AGENCIES FLOW AND CAPACITY RIGHTS
Fiscal Year Ending June 30, 2014
(Unaudited)**

Participating Agencies	Estimated Population ⁽¹⁾	Capacity Rights (in mgd)	% of Total Capacity	Average Flow (mgd)	% of Total Average Flow
City of Chula Vista	252,982	20.864	8.182%	16.006	10.310%
City of Coronado	25,500	3.250	1.275%	1.603	1.033%
City of Del Mar	4,321	0.876	0.344%	0.556	0.358%
City of El Cajon	102,000	10.915	4.280%	7.545	4.860%
City of Imperial Beach	29,500	3.755	1.473%	2.237	1.441%
City of La Mesa	58,490	6.993	2.742%	4.714	3.037%
City of National City	59,391	7.487	2.936%	4.039	2.602%
City of Poway	44,373	5.894	2.311%	2.827	1.821%
County/Spring Valley Sanitation Districts ⁽²⁾	152,706	17.503	6.864%	8.689	5.597%
Lemon Grove Sanitation District	25,530	3.027	1.187%	2.111	1.360%
Otay Water District	5,250	1.287	0.505%	0.093	0.060%
Padre Dam Municipal Water District	52,100	6.225	2.441%	2.638	1.699%
SUBTOTAL	812,143	88.076	34.540%	53.058	34.178%
City of San Diego	1,371,000	166.924	65.460%	102.182	65.822%
TOTAL	2,183,143	255.000	100.000%	155.240 ⁽³⁾	100.000%

- (1) Participating Agencies provided population figures for their respective agencies. Population served by the Metropolitan System is from the latest SANDAG information.
- (2) This agency uses the San Diego County Facility Plan for their population figures, and reflects the combined East Otay, Lakeside-Alpine, Winter Gardens, and Spring Valley Sanitation Districts.
- (3) Excludes flow through plants that are not part of the Metropolitan Sub-System - Escondido Plant and Solana Beach (serviced by the San Elijo Plant).

Sources: Participating Agencies and Public Utilities Department, City of San Diego.

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**WASTEWATER SYSTEM
TOTAL ANNUAL FLOW⁽¹⁾**

**Fiscal Years Ending June 30, 2005 through June 30, 2014
(In Million Gallons)
(Unaudited)**

Fiscal Year Ending June 30	City Flow Through Point Loma Plant	Participating Agency Flow Through Point Loma Plant	City Flow Through Escondido Plant⁽²⁾	City Flow Through San Elijo Plant⁽²⁾	Recycled Water Through North City Plant	City Flow Through South Bay Plant	Total System Flow	Average MGD For The Year
2005	43,817	23,124	1,439	32	522	1,726	70,660	194
2006	42,240	22,270	1,279	32	1,259	1,632	68,712	188
2007	38,295	21,886	1,106	32	1,544	2,949	65,812	180
2008	37,207	21,849	1,096	32	1,749	3,210	65,143	178
2009	36,752	21,174	1,065	32	2,402	3,106	64,531	177
2010	36,995	20,488	1,022	32	1,931	2,986	63,454	174
2011	37,607	21,259	1,058	32	1,872	3,026	64,855	178
2012	36,484	20,721	1,000	32	1,925	2,957	63,120	172
2013	35,686	19,948	968	32	2,181	2,938	61,753	169
2014	34,378	19,366	935	32	2,375	2,919	60,005	164

(1) Wastewater System consists of the Metropolitan Sub-System (collects and treats the wastewater generated by the City and 12 other agencies) and the Municipal Sub-System (all elements required for the collection and conveyance of the wastewater generated by the City).

(2) The City does not treat flows through the Escondido Plant or the San Elijo Plant.

Source: Public Utilities Department, City of San Diego.

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WASTEWATER SYSTEM
HISTORICAL SOURCES OF SEWER SERVICE CHARGE REVENUES⁽¹⁾
Fiscal Years Ending June 30, 2010 through June 30, 2014
(\$ In Thousands)
(Unaudited)

<u>Sources</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Single Family Domestic	\$125,924 ⁽⁴⁾	\$119,482	\$112,996	\$114,356	\$114,746
Other Domestic	94,101	90,221	90,069	80,527	80,881
Commercial ⁽²⁾	70,908	68,198	89,677	92,523	94,706
Industrial ⁽²⁾	8,172	7,050	0	0	0
Treatment Plant Service for Others ⁽³⁾	<u>77,298</u>	<u>66,943</u>	<u>71,366</u>	<u>67,940</u>	<u>67,834</u>
TOTAL	<u>\$376,403</u>	<u>\$351,894</u>	<u>\$364,108</u>	<u>\$355,346</u>	<u>\$358,167</u>

- (1) Constitutes a component of System Revenues; does not include capacity charges or other operating revenues which are included in calculating Net System Revenues.
- (2) Starting in Fiscal Year 2012, "Commercial" and "Industrial" have been combined into one customer type. In addition to this consolidation, the significant increase in revenue between Fiscal Year 2011 and Fiscal Year 2012 can be attributed to the implementation of a new customer billing system in July 2011 due to which approximately \$5 million earned in Fiscal Year 2011 was recognized in Fiscal Year 2012, resulting in a one-time variance of approximately \$10 million.
- (3) Includes sewer service charge revenues from Participating Agencies, the United States Navy and other agencies.
- (4) Last year of a multi-year rate increase (see "Wastewater System Approved Rate Increases for Single Family Residential, Multifamily and Commercial and Industrial Customers" table); no future approved rate increases in place.

Sources: Comptroller's Office, City of San Diego.

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**MUNICIPAL SUB-SYSTEM
TEN LARGEST CUSTOMERS⁽¹⁾
Fiscal Year Ending June 30, 2014
(Unaudited)**

	<u>Sewer Billings</u>	<u>Percent of Total Operating Revenues⁽²⁾</u>
U.S. Navy	\$11,855,584	3.25%
C.P. Kelco	4,187,268	1.15%
University of California, San Diego	2,510,811	0.69%
Federal Government ⁽³⁾	1,777,903	0.49%
City of San Diego	1,513,863	0.42%
R.J. Donovan Correctional Facility	1,464,489	0.40%
San Diego Unified School District	1,076,530	0.30%
San Diego State University	1,043,186	0.29%
County of San Diego	1,031,178	0.28%
Sea World	807,874	0.22%
TOTAL	\$27,268,686	7.49%

(1) Sewer billings of the ten largest customers does not include Participating Agencies or customers served by Participating Agencies.

(2) Reflects percentage of total operating revenues of \$364,547,656 for the Municipal Sub-System; operating revenues include revenues from Participating Agencies.

(3) Excludes the United States Navy.

Sources: Public Utilities Department (billings) and Comptroller's Office (revenues), City of San Diego.

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WASTEWATER SYSTEM
APPROVED RATE INCREASES FOR SINGLE FAMILY RESIDENTIAL,
MULTIFAMILY AND COMMERCIAL AND INDUSTRIAL CUSTOMERS
Through Fiscal Year Ending June 30, 2014
(Unaudited)

<u>Effective Date</u>	<u>Single Family Domestic⁽¹⁾</u>	<u>All Classes % Rate Increase</u>	<u>Uniform Base Fee</u>	<u>Single Family Residential Usage Fee \$/HCF water</u>	<u>Multifamily (Other Domestic) Usage Fee \$/HCF water</u>	<u>Commercial & Industrial Customers</u>		
						<u>Monthly Wastewater Flow \$/HCF</u>	<u>Suspended Solids \$/LB Total</u>	<u>Chemical Oxygen Demand \$/LB</u>
May 1, 2007	\$38.32	8.75%	\$12.31	\$2.890	\$4.038	\$3.0257	\$0.4431	\$0.1801
November 1, 2007 ⁽²⁾	\$39.49	3.05%	\$12.69	\$2.978	\$4.161	\$3.1180	\$0.4566	\$0.1856
May 1, 2008	\$42.94	8.75%	\$13.80	\$3.239	\$4.525	\$3.3908	\$0.4966	\$0.2018
May 1, 2008 ⁽²⁾	\$44.25	3.05%	\$14.22	\$3.338	\$4.663	\$3.4942	\$0.5117	\$0.2080
May 1, 2009	\$47.35	7.00%	\$15.21	\$3.571	\$4.990	\$3.7388	\$0.5475	\$0.2225
May 1, 2010	\$50.67	7.00%	\$16.28	\$3.821	\$5.339	\$4.0005	\$0.5859	\$0.2381
March 1, 2012 ⁽²⁾	\$47.71	-5.83%	\$15.33	\$3.598	\$5.028	\$3.7672	\$0.5517	\$0.2242

(1) Represents the average monthly amount and new customer amount.
(2) Shames Settlement Agreement started November 2007 and sunset March 2012.

Source: Public Utilities Department, City of San Diego.

WASTEWATER CUSTOMER ACCOUNTS RECEIVABLE AND SHUT-OFFS
Fiscal Years Ending June 30, 2010 through June 30, 2014
(\$ In Thousands)
(Unaudited)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Sewer Service Charge Revenue	\$376,403	\$351,894	\$364,108	\$355,346	\$358,167
Accounts Receivable ⁽¹⁾	\$23,024	\$15,547	\$20,042	\$20,814	\$21,095
Accounts Receivable Over 120 Days ^{(1) (2)}	\$2,985	\$3,115	\$4,607	\$3,680	\$4,065
Number of Shut-Offs ⁽³⁾	26,875	23,271	22,203	19,363	19,514

(1) Excludes amounts payable by Participating Agencies.

(2) Estimated.

(3) Shut-offs for non-payment may include multiple shut-offs associated with the same account throughout the Fiscal Year.

Sources: Comptroller's Office and Public Utilities Department, City of San Diego.

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**MUNICIPAL SUB-SYSTEM
SEWER UTILITY FUND
HISTORICAL CAPACITY CHARGE REVENUES
Fiscal Years Ending June 30, 2010 through June 30, 2014
(\$ In Thousands)
(Unaudited)**

Fiscal Year	Equivalent Dwelling Units	Capacity Charge Revenues ⁽¹⁾
2010	1,230	\$5,068
2011	2,474 ⁽²⁾	\$9,256
2012	1,864 ⁽³⁾	\$9,290
2013	3,781 ⁽⁴⁾	\$14,041
2014	4,819	\$20,300

(1) Unaudited supplemental information provided by the Comptroller's Office, City of San Diego.

(2) Revised from 2,245 subsequent to the issue of the FY2011 Annual Report.

(3) Revised from 2,228 subsequent to the issue of the FY2013 Annual Report.

(4) Revised from 3,801 subsequent to the issue of the FY2013 Annual Report.

Sources: Public Utilities Department and the Comptroller's Office, City of San Diego.

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RATE HISTORY FOR SEWER CAPACITY CHARGES

<u>Effective Date</u>	<u>(Per Unit)</u>	<u>% Change</u>
July 1, 1991	\$4,484	16%
July 1, 1992	\$5,201	16%
July 1, 1993	\$6,033	16%
July 1, 1994	\$6,998	16%
April 22, 1996 ⁽¹⁾	\$2,500	(64%)
July 1, 2004 ⁽²⁾	\$3,710	48%
May 1, 2007 ⁽³⁾	\$4,124	11%

-
- (1) Capacity charge decreased to \$2,500 pursuant to City Council Resolution No. R-287543 to encourage building activity.
(2) Capacity charge increased to \$3,710 pursuant to City Council Resolution No. R-299321 based on results of the October 2003 Cost of Service Study.
(3) Capacity charge increased to \$4,124 pursuant to City Council Resolution No. R-302378 dated February 26, 2007 based on results of the December 2006 Cost of Service Study.

Source: Public Utilities Department, City of San Diego.

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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS⁽¹⁾
Fiscal Years Ending June 30, 2010 through June 30, 2014
(\$ In Thousands)
(Audited, except as otherwise noted)

	2010	2011	2012	2013	2014
OPERATING REVENUES					
Sewer Service Charges					
Inside City:					
Domestic ⁽²⁾	\$ 220,025	\$ 209,703	\$ 203,065	\$ 194,883	\$ 195,627
Commercial and Industrial ⁽²⁾	79,080	75,248	89,677	92,523	94,706
Outside City:					
Treatment Plant Service for Others ⁽²⁾	77,298	66,943	71,366	67,940	67,834
Subtotal: Sewer Service Charges ⁽²⁾	<u>\$ 376,403</u>	<u>\$ 351,894</u>	<u>\$ 364,108</u>	<u>\$ 355,346</u>	<u>\$ 358,167</u>
Services provided to City departments ⁽²⁾	2,237	2,189	1,779	1,870	1,556
Total Charges for Services	<u>\$ 378,640</u>	<u>\$ 354,083</u>	<u>\$ 365,887</u>	<u>\$ 357,216</u>	<u>\$ 359,723</u>
Other Operating Revenues	3,485	3,648	4,412	4,421	4,824
TOTAL OPERATING REVENUES	<u>\$ 382,125</u>	<u>\$ 357,731</u>	<u>\$ 370,299</u>	<u>\$ 361,637</u>	<u>\$ 364,547</u>
OPERATING EXPENSES					
Maintenance and Operations	\$ 136,820	\$ 134,696	\$ 129,343	\$ 121,990	\$ 151,522
Administration	80,879	63,875	65,191	73,648	50,427
Depreciation	66,523	63,488	65,186	68,452	70,585
TOTAL OPERATING EXPENSES	<u>\$ 284,222</u>	<u>\$ 262,059</u>	<u>\$ 259,720</u>	<u>\$ 264,090</u>	<u>\$ 272,534</u>
OPERATING INCOME (LOSS)	<u>\$ 97,903</u>	<u>\$ 95,672</u>	<u>\$ 110,579</u>	<u>\$ 97,547</u>	<u>\$ 92,013</u>
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	\$ 10,612	\$ 7,454	\$ 6,266	\$ 647	\$ 4,177
Federal Grant Assistance	175	380	336	9	-
Other Agency Grant Assistance	165	-	-	-	-
Gain (Loss) on Sale / Retirement of Capital Assets	(558)	(1,961)	(1,387)	(1,647)	(1,556)
Debt Service Interest Expense	(53,348)	(51,112)	(49,586)	(53,580)	(51,652)
Other	7,750	6,404	5,116	8,260	6,829
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ (35,204)</u>	<u>\$ (38,835)</u>	<u>\$ (39,255)</u>	<u>\$ (46,311)</u>	<u>\$ (42,202)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	\$ 62,699	\$ 56,837	\$ 71,324	\$ 51,236	\$ 49,810
Capital Contributions	21,346	12,345 ⁽³⁾	17,883	23,228	33,081
Transfers In	316	147	130	92	77
Transfers from Governmental Funds	-	-	-	275	19
Transfers Out	(119)	(10)	(1,103)	(1,346)	(2,077)
Transfers to Governmental Funds	(883)	(192)	(6,495)	(8,232)	(6,955)
Extraordinary Gains	-	-	1,180 ⁽⁴⁾	(1,180) ⁽⁵⁾	-
CHANGE IN NET ASSETS	\$ 83,359	\$ 69,127	\$ 82,919	\$ 64,073	\$ 73,955
Net Assets at Beginning of Year	<u>\$ 1,991,440</u>	<u>\$ 2,074,799</u>	<u>\$ 2,143,926</u>	<u>\$ 2,226,845</u>	<u>\$ 2,275,423⁽⁶⁾</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,074,799</u>	<u>\$ 2,143,926</u>	<u>\$ 2,226,845</u>	<u>\$ 2,290,918</u>	<u>\$ 2,349,378</u>

(1) Terms used in this table are derived from the City's CAFR for the indicated year. Certain terms included in this table do not have the meanings ascribed to them in the Installment Purchase Agreement. Also, amounts included in this table reflect the application of generally accepted accounting principles ("GAAP") and, as such, do not match tables in the Official Statement that were not prepared in accordance with GAAP

(2) Unaudited.

(3) Reflects fewer developer contributed infrastructure asset installations and related capacity fee receipts.

(4) Extraordinary Gain resulting from the dissolution of the Redevelopment Agency.

(5) Extraordinary Loss resulting from prior year unpaid loan receivable from Redevelopment Agency that will not be repaid.

(6) Beginning balance restated due to the net effects of GASB 65 implementation and reclassification of workers' compensation.

Source of Table: Fiscal Years 2010-2014 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego.

Source of Footnotes: Public Utilities Department (Unaudited), City of San Diego.

SEWER UTILITY FUND RESERVES⁽¹⁾
Fiscal Year Ending June 30, 2014
(\$ In Thousands)
(Unaudited)

<u>Fund</u>	<u>Reserve Amount</u>
Rate Stabilization Fund	\$21,300
Operating Reserve	48,099
Capital Reserve	5,000
Appropriated Reserve ⁽²⁾	3,500
Dedicated Reserve for Efficiencies and Savings ⁽³⁾	-
Total	<u><u>\$77,899</u></u>

(1) Does not include SRF loan reserve funds and Bond Debt Service Reserve Funds.

(2) Starting FY 2015, the Appropriated Reserve will no longer be part of the Sewer Utility Fund Reserves per the 2014 update to the Reserve Policy; it will however continue to be funded through the annual budget process.

(3) The Dedicated Reserve for Efficiencies and Savings (“DRES”) was discontinued per the 2014 update to the Reserve Policy. All funds were spent down to fund CIP projects and any Department savings now fall to fund balance.

Source: Public Utilities Department, City of San Diego.

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CALCULATION OF HISTORIC SENIOR AND AGGREGATE DEBT SERVICE COVERAGE
Fiscal Years Ending June 30, 2010 through June 30, 2014
(\$ In Thousands)
(Unaudited)

Fiscal Year Ended June 30	Total System Revenues⁽²⁾	Total Maintenance and Operations Costs (Excludes Depreciation)⁽³⁾	Net System Revenues	<u>Senior Debt Service</u>			<u>All Obligations⁽¹⁾</u>		
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Senior Debt Service Coverage</u>	<u>Total Debt Service</u>	<u>Aggregate Debt Service Coverage</u>
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

(1) All Obligations include Senior Bond Obligations and Senior and Subordinate State Revolving Fund Loans.

(2) System Revenues as defined in the legal documents for the Outstanding Sewer Bonds include Operating and Non-Operating receipts (i.e. interest earnings, capacity charges, and other income) as well as Transfers and the cash-based components of Capital Contributions.

(3) Total Maintenance and Operations Costs as defined in the legal documents for the Outstanding Sewer Bonds include expenses related to maintenance and operations, administration, and transfers to other funds (including Governmental Funds, Rate Stabilization Fund, and other Funds).

Source: Statistical Section (Unaudited) of Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2014, Comptroller's Office, City of San Diego.

Source of Footnotes: Public Utilities Department (Unaudited), City of San Diego.

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Investment of Funds (As of June 30, 2014)

Refer to Note 3, “Cash and Investments,” to the Fiscal Year 2014 CAFR for information regarding Investment of Funds as of June 30, 2014.

Investment of Funds (As of December 31, 2014)

Pool Liquidity and Other Characteristics

The City Treasurer’s Pooled Investment Fund (including both the “Liquidity” and the “Core” portfolios) is highly liquid. Based on unaudited month-end data as of December 31, 2014, approximately 10% of the pool investments mature within 62 days, 12% within 92 days, 29% within 184 days, 40% within 1 year, 78% within 2 years, 98% within 3 years, and 100% within 5 years (on a cumulative basis). As of December 31, 2014, the City Treasurer’s Pooled Investment Fund had a weighted average maturity of 1.31 years (479 days) and its weighted average yield was 0.48%. For purposes of calculating weighted average maturity, the City Treasurer treats investments in the State-wide Local Agency Investment Fund (California State Pool) as maturing within one day. The Liquidity portfolio had a duration of 0.37 years and the Core portfolio had a duration of 1.65 years as of December 31, 2014. Duration is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. Accordingly, the Liquidity portfolio should decrease in market value by 0.37% for every 1% increase in market interest rates while the Core portfolio should decrease in market value by 1.65% for every 1% increase in market interest rates. The City Treasurer’s Pooled Investment Fund composition is designed with a goal of having sufficient liquid funds available to meet disbursement requirements. The composition and value of investments under management in the City Treasurer’s Pooled Investment Fund will vary from time to time depending on cash flow needs of the City, maturity or sale of investments, purchase of new securities, and fluctuations in interest rates.

CITY OF SAN DIEGO POOLED INVESTMENT FUND
At December 31, 2014
(\$ In thousands)
(Unaudited)

<i>Investment Instrument</i>	<i>Book Value</i>	<i>Fair Value</i>	<i>Percent of Total⁽¹⁾</i>
U.S. Treasury Notes	\$ 934,115	\$ 934,661	46.26%
Agency Discount Notes	183,568	183,609	9.09
Agency Notes & Bonds	369,807	369,492	18.31
Commercial Paper	84,905	84,929	4.20
Corporate Notes & Bonds	102,690	102,684	5.08
Local Agency Investment Fund	49,819	49,819	2.47
Repurchase Agreement	44,200	44,200	2.19
Negotiable Certificates of Deposit	175,002	175,019	8.67
Asset Backed Securities	75,379	75,393	3.73
TOTAL INVESTMENTS	\$ 2,019,485	\$ 2,019,807	100.00%

⁽¹⁾ Based on book value.

Source: Office of the City Treasurer, City of San Diego.

Labor Relations

General

The City has five recognized employee organizations which represent classified employees. They are the San Diego Municipal Employees' Association ("MEA"), the American Federation of State, County, and Municipal Employees, Local 127 ("AFSCME Local 127"), the San Diego Police Officers Association ("POA"), the San Diego City Firefighters, International Association of Firefighters, Local 145 ("IAFF Local 145"), and the California Teamsters Local 911 ("Teamsters Local 911"), which represents lifeguards. A sixth recognized employee organization, the Deputy City Attorneys Association ("DCAA"), represents unclassified deputy city attorneys. Certain classified and unclassified City employees are unrepresented.

As of July 1, 2014, there were 871.6 regular full time employees of the Public Utilities Department (Wastewater Branch), of which 493.6 were represented by the MEA, and 327.5 were represented by AFSCME Local 127. The remaining 50.5 employees were unrepresented. The two bargaining units represent approximately 94% of the Public Utilities Department's employees (Wastewater Branch).

Collective Bargaining Agreements

In 2013, the City entered into a collective bargaining agreement with each of its recognized employee organizations, for a five-year term, from July 1, 2013 through June 30, 2018. Each agreement includes terms consistent with Proposition B, an initiative approved by City voters in June 2012 to reform the City's retirement system. Under Proposition B, and specifically Charter section 70.2, the City must comply with certain procedural requirements, from July 20, 2012, the effective date of Proposition B through June 30, 2018, if it intends to negotiate increases to pensionable pay. The City Council must obtain an actuarial analysis from its retirement system actuary that discloses the impact of any proposed pay increases and must approve any negotiated increases by a two-thirds vote of the City Council. The City and each recognized employee organization agreed that they would not negotiate any general salary increases, which are pensionable, during the five-year period covered by Charter section 70.2. However, individual employees may still receive merit increases or promotions within the parameters of the Fiscal Year 2011 salary schedules. In exchange for the agreement to limit pensionable pay of employees during this five-year period, the City agreed to increases in non-pensionable pay. Each of the collective bargaining agreements includes non-pensionable pay increases in Fiscal Year 2016, with reopeners in Fiscal Years 2017 and 2018 to meet and confer solely regarding increases to non-pensionable compensation. Flexible benefit credits are non-pensionable. Each collective bargaining agreement remains in effect through June 30, 2018; however, the City and POA have negotiated modifications to the POA's five-year agreement, which, if approved by the City Council, will result in an amended agreement for a term from July 1, 2015 through June 30, 2020.

MEA: MEA-represented employees will receive increased annual flexible benefit credits in Fiscal Year 2016. The employee organization will have the option to reopen negotiations solely for the purpose to meet and confer on non-pensionable compensation increases in Fiscal Years 2017 and 2018.

AFSCME Local 127: AFSCME Local 127-represented employees will receive increased annual flexible benefit credits in Fiscal Year 2016. The employee organization will have the option to

reopen negotiations solely for the purpose to meet and confer on non-pensionable compensation increases in Fiscal Years 2017 and 2018.

POA: In 2014, the City and POA mutually agreed to reopen negotiations to meet and confer on terms for Fiscal Years 2016 through 2020. The City and POA have agreed to amend the collective bargaining agreement for a new term from July 1, 2015 through June 30, 2020. POA members will receive a 3.3 percent increase in pensionable compensation in Fiscal Years 2019 and a 3.3 percent increase in pensionable compensation in Fiscal Year 2020. The agreement also contains non-pensionable compensation increases in Fiscal Years 2016 through 2020. The non-pensionable compensation includes increases to flexible benefit credits for all POA members with additional credits for members with eight or more years of service. Members with eight or more years of service will also receive increases to annual uniform and equipment allowances, as will new recruits. Members will also receive up to 40 hours of discretionary leave for full-time employees with proportionally reduced hours for part-time employees.

IAFF Local 145: IAFF Local 145-represented employees will receive increased annual flexible benefit credits in Fiscal Year 2016. IAFF Local 145 will have the option to reopen negotiations solely for the purpose to meet and confer upon non-pensionable compensation increases in Fiscal Years 2017 and 2018.

Teamsters Local 911: Teamsters Local 911-represented employees will receive increased annual flexible benefit credits in Fiscal Year 2016. The employee organization will have the option to reopen negotiations solely for the purpose to meet and confer over further increases to non-pensionable compensation in Fiscal Years 2017 and 2018.

DCAA: DCAA-represented employees will receive an increase in their annual flexible benefit credits in Fiscal Year 2016. The employee organization will have the option to reopen negotiations solely for the purpose to meet and confer upon non-pensionable compensation increases in Fiscal Years 2017 and 2018.

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Insurance and Liability Claims

The City does not maintain casualty insurance on the pipelines of the Wastewater System because such insurance is not commercially available.

The table below sets forth the budget and expenditures for liability claims of the Wastewater System for Fiscal Years 2010 through 2014.

LIABILITY CLAIMS BUDGET AND EXPENDITURES
Fiscal Years Ending June 30, 2010 through June 30, 2014
(Unaudited)

<u>Fiscal Year</u>	<u>Budget</u>	<u>Expenditures</u> ⁽¹⁾
2010	\$900,202	\$1,339,687
2011	\$1,001,422	\$2,016,934
2012	\$851,702	\$2,562,934
2013	\$851,702	\$2,209,086
2014	\$1,511,709	\$1,256,302

(1) Over-budget expenditures are paid from Sewer Revenue Fund balance available for appropriation.

Sources: Public Utilities Department and Risk Management Department, City of San Diego.

In addition, see Note 14 "Risk Management" in the City's Fiscal Year 2014 CAFR.

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Pension Plan

The Table below sets forth the City's portion of San Diego City Employees' Retirement System historical funding progress for Fiscal Years 2005 through 2014. In addition, refer to Note 11, "Pension Plans," in the Fiscal Year 2014 CAFR.

CITY OF SAN DIEGO
SCHEDULE OF FUNDING PROGRESS
Fiscal Years Ending June 30, 2005 through June 30, 2014
(\$ In Thousands)
(Unaudited)

Valuation Date (June 30)	Actuarial Value of Assets	Market Value of Assets	AAL	Funded Ratio (Actuarial)	Funded Ratio (Market)	UAAL (Actuarial)	AAL less Market Value of Assets	Covered Payroll⁽¹⁾	UAAL as a % of Covered Payroll
2005	\$2,983,080	\$3,205,722	\$4,377,093	68.2%	73.2%	\$1,394,013	\$1,171,371	\$557,631	250.0%
2006 ⁽²⁾	\$3,981,932	\$3,981,932	\$4,982,699	79.9	79.9	\$1,000,767	\$1,000,767	\$534,103	187.4
2007 ⁽³⁾	\$4,413,411	\$4,641,341	\$5,597,653	78.8	82.9	\$1,184,242	\$956,312	\$512,440	231.1
2008 ⁽⁴⁾	\$4,660,346	\$4,408,719	\$5,963,550	78.2	73.9	\$1,303,204	\$1,554,831	\$535,774	243.2
2009	\$4,175,229	\$3,479,357	\$6,281,636	66.5	55.4	\$2,106,408	\$2,802,279	\$536,591	392.6
2010	\$4,382,047	\$3,900,537	\$6,527,224	67.1	59.8	\$2,145,177	\$2,626,687	\$530,238	404.6
2011 ⁽⁴⁾	\$4,739,399	\$4,848,054	\$6,917,175	68.5	70.1	\$2,177,776	\$2,069,363	\$514,265	423.5
2012	\$4,982,442	\$4,799,827	\$7,261,731	68.6	66.1	\$2,279,289	\$2,461,904	\$511,091	446.0
2013 ⁽⁵⁾	\$5,317,778	\$5,395,158	\$7,555,527	70.4	71.4	\$2,237,749	\$2,160,369	\$499,463	448.0
2014	\$5,828,594	\$6,292,855	\$7,858,703	74.2	80.1	\$2,030,110	\$1,565,848	\$480,536	422.5

(1) Covered payroll includes all elements of compensation paid to active City employees on which contributions to the pension plan are based.

(2) Reflects revised actuarial methodologies.

(3) Reflects revised actuarial assumptions, including the return to EAN actuarial funding method.

(4) Reflects revised actuarial methodologies and assumptions.

(5) Reflects revised actuarial methodologies and assumptions. The discount rate was lowered from 7.5% to 7.25% and the wage inflation rate was reduced from 3.75% to 3.3%. Methodologies and assumptions were not changed from 2013 to 2014.

Source: Comptroller's Office, City of San Diego; Cheiron Actuarial Valuations.

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Wastewater System Share of Contribution to Pension System

The Table below sets forth the City's Actuarially Determined Contribution ("ADC") and pension payments for Fiscal Years 2011 through 2015, as well as the amounts related specifically to the Wastewater System. Prior to Fiscal Year 2014, in addition to the City contributions set forth in the table below, the City made certain pension contributions on behalf of certain employee groups. As of Fiscal Year 2015, the City no longer pays any portion of employee pension contributions. In addition, refer to Note 11, "Pension Plans," to the Fiscal Year 2014 CAFR.

CITY OF SAN DIEGO AND WASTEWATER SYSTEM PENSION CONTRIBUTION Fiscal Years Ending June 30, 2011 through June 30, 2015⁽¹⁾ (\$ In Thousands)

Fiscal Year Ended June 30	Pension Plan ADC/ARC⁽²⁾	Preservation of Benefits Plan ADC/ARC	Total Plan ADC/ARC⁽³⁾	Pension Plan Contribution	POB Plan Contribution	Total Pension Contribution⁽⁴⁾	Sewer System Contribution	Sewer System Contribution (% of O&M)
2011	\$229,100	\$1,817	\$230,917	\$229,100	\$1,323	\$230,423	\$15,455	5.9%
2012	231,200	1,269	232,469	231,200	1,687	232,828	14,198	5.5
2013	231,100	1,314	232,414	231,100	1,572	232,672	13,636	5.2
2014	275,400	708	276,108	275,400	1,403	276,803	17,201	6.3
2015	263,600	876	264,476	263,604	1,700	265,304	17,527	5.1

(1) Data for Fiscal Year 2015 is budgeted. All other data is actual.

(2) Actuarially Determined Contribution ("ADC") has replaced the Annual Required Contribution ("ARC") as the funding policy for SDCERS.

(3) Includes core pension ADC and Preservation of Benefits (POB) Plan ADC. See Note 11 in City's Fiscal Year 2014 CAFR for more information on Pension Plan ADC and POB Plan ADC. Per IRS guidelines, the City may not pre-fund the POB Plan. Therefore, plan contributions may differ from the Total ADC in any given year.

(4) Comprised of the pension plan contribution and the POB plan contribution; may not sum due to rounding.

Source: Fiscal Years 2011-2014 Comprehensive Annual Financial Reports; Cheiron Actuarial Valuations; Financial Management, Office of the City Comptroller and Public Utilities Department, City of San Diego.

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Other Postemployment Healthcare Benefits

The Table below sets forth the City's OPEB ARC and City's contributions for Fiscal Years 2011 through 2015, as well as the amounts related specifically to the Wastewater System. In addition, refer to Note 12, "Other Postemployment Benefits," in the Fiscal Year 2014 CAFR.

As indicated in the footnotes, the OPEB defined benefit plan has been closed to new employees since July 1, 2005 and certain healthcare-eligible employees and retirees opted out of the defined benefit plan and into a defined contribution retiree healthcare plan in April 2012. The City's Total Retiree Healthcare Contribution in the table below covers the City's cost for both the defined benefit plan and the defined contribution plan.

**CITY OF SAN DIEGO AND WASTEWATER SYSTEM
RETIREE HEALTH CONTRIBUTION
Fiscal Years Ending June 30, 2011 through June 30, 2015⁽¹⁾
(\$ In Thousands)**

Fiscal Year	OPEB ARC (Defined Benefit Plan)	Total Retiree Health Contribution⁽²⁾	Sewer Fund Retiree Health Contribution	Sewer Fund Contribution % of O&M
2011	\$120,324	\$58,868	\$5,285	2.0%
2012 ⁽³⁾	49,061	58,281	7,057	2.7
2013	35,348	57,782	4,362	1.7
2014	38,097	57,782	4,734	1.7
2015	41,740	57,809	5,046	1.5

(1) Data for Fiscal Year 2015 is budgeted. All other data is actual.

(2) Includes contributions to the Defined Benefit Plan and the Defined Contribution Plans.

(3) Effective April 2012, OPEB benefits were modified and a significant group of participants opted out of the defined benefit plan and into a defined contribution plan. The City's Defined Benefit OPEB plan was closed to employees hired on or after July 1, 2005.

Source: Fiscal Years 2011-2014 Comprehensive Annual Financial Reports; Financial Management, Office of the City Comptroller and the Public Utilities Department, City of San Diego.