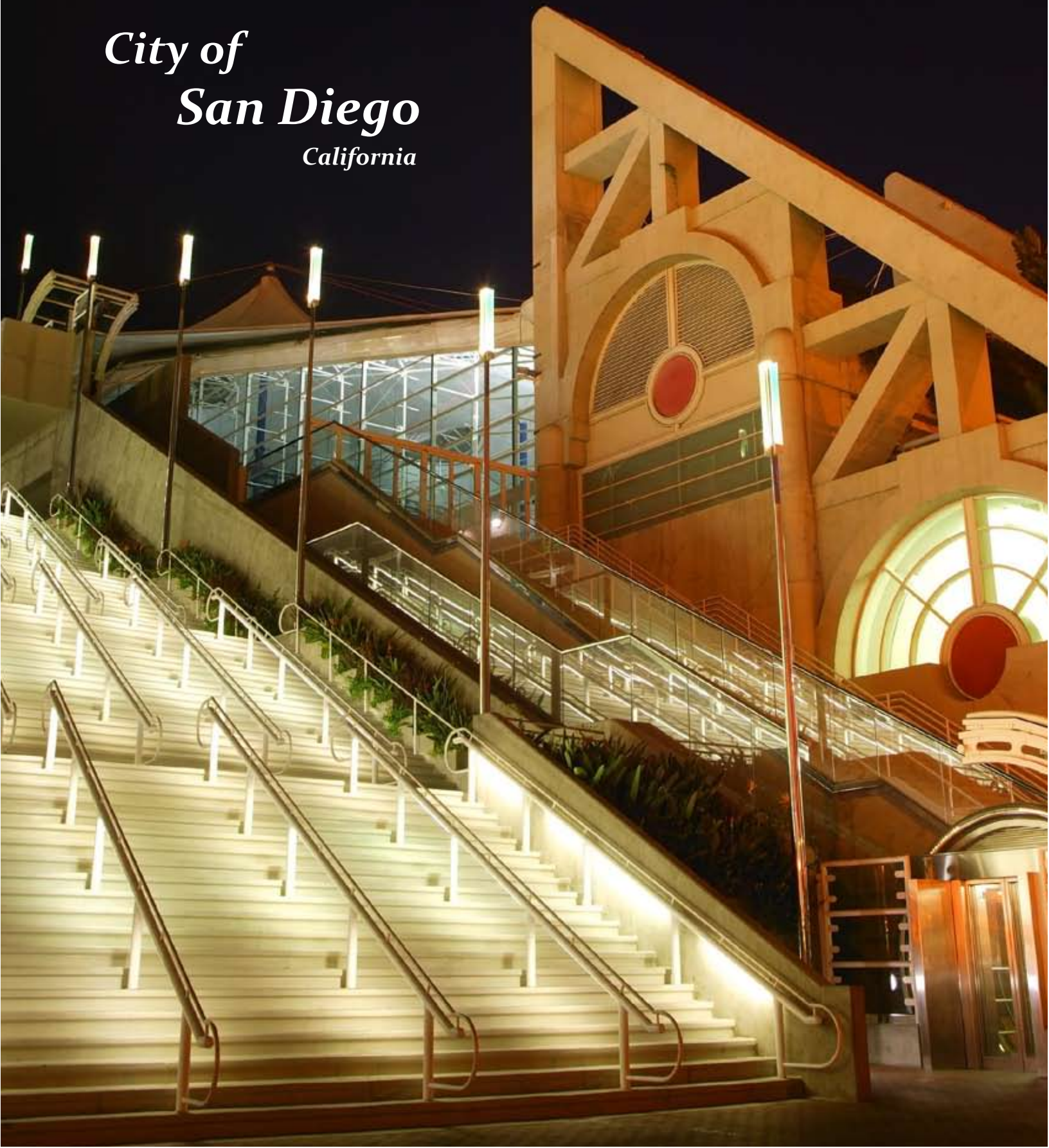


# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011

*City of*  
***San Diego***  
*California*





*City of San Diego*

*State of California*

**Comprehensive  
Annual Financial Report**

**Fiscal Year Ended June 30, 2011**

**Prepared Under the Supervision of  
Kenton C. Whitfield, CPA  
Comptroller**



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For The Fiscal Year Ended June 30, 2011

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### **Forward-Looking Statements**

The Comprehensive Annual Financial Report of the City for the fiscal year ended June 30, 2011 (CAFR), including the Letter of Transmittal and the section regarding Management's Discussion and Analysis, contains forward-looking statements regarding the City's 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, revenue and expense levels 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





## THE CITY OF SAN DIEGO

**January 31, 2012**

### **Citizens and Interested Parties,**

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The San Diego economy has shown signs of recovery compared to the low point of the recession; however, economic uncertainties still remain in the San Diego region. Several economic indicators have improved in the past 12 months and some major general revenues such as sales tax and transient occupancy tax have increased. Property tax revenues appear to have stabilized as well. At best, the current national economic projections are for slow growth and limited expansion. State revenues are also coming in lower than projected, adding more pressure on the State's already fragile budget. Efforts by the State to improve its budget picture are already being felt at the local level after the recent court decision to uphold the elimination of redevelopment agencies.

In this challenging economic environment, the City has successfully balanced its annual budgets and adopted them on time, by June 30 each year. In fiscal year 2011, the City again was required to make necessary spending reductions to maintain a balanced budget, which had an impact on services within our communities. The City Council and the Mayor's ability to resolve significant budget issues year after year and adopt annual balanced budgets is an accomplishment that has contributed to the strong results in the General Fund. In fiscal year 2011, General Fund revenues increased by 9% over fiscal year 2010, while at the same time, expenditures increased a modest 2% over the same time period. This resulted in General Fund reserves of 11%, which was in excess of the 8% policy goal that was accomplished in fiscal year 2010.

In these uncertain economic times the City has set challenging goals for its future. The City believes these goals are achievable with continued fiscal discipline and greater government efficiency. The diversity of industry, education and tourism well positions the City for an early economic recovery ahead of other peer cities. We are beginning to see the signs of a sustained economic rebound even though we have several years of recovery ahead to get to pre-recession revenue levels.

### **Economic Development Activities**

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The international, national and regional economic condition has adversely affected the City of San Diego's revenues and City services. It has also affected the health of the business community. In November 2011, the unemployment rate in San Diego County stood at 9.2%, which was nearly double from four years earlier. While the unemployment rate has declined from its recent historic highs, the City of San Diego is committed to restoring economic stability and reducing the level of local unemployment. With many advantages, such as its strategic location adjacent to Mexico and the Pacific Rim, desirable industry clusters and a skilled workforce, San Diego can compete for new job-creating public and private-sector investment. The focus of fostering an economic recovery centers on four strategic approaches designed to ensure that investment dollars flow into San Diego:

- Dedicated city staff focused on a business expansion, attraction, and retention (BEAR) effort that highlights the advantages of doing business in San Diego.
- Regulatory streamlining process that eliminates redundant and bureaucratic procedures which do not meaningfully contribute to protecting the public interests.
- Focus on emerging industry clusters, including the Mayor's CleanTech Initiative designed to increase demand for renewable energy (e.g. solar), biofuels, energy efficient solutions, and "green" products.
- Completion of critical path infrastructure facilities which is attractive to base sector industry businesses.

The Mayor's Office of Economic Growth Services (EGS) has redoubled its efforts to retain businesses and make local companies aware of State and Federal programs. The Mayor engages with local businesses through the Economic Development Roundtable, and with personal visits to local manufacturers who have either expanded research & development (R&D) or production operations or are considering expansions. As a result, the City is able to tailor its attraction, expansion and retention efforts as well as educate local companies on government incentives.

Fiscal year 2011 was another financially challenging year for the State of California. One program that was threatened was the California Enterprise Zone Program, a vital economic development tool. Mayor Sanders, a coalition of California Mayors and businesses statewide successfully preserved the Enterprise Zone Program while supporting significant changes to its implementation. Enterprise Zones provide one of the only dependable statewide tax incentives that local areas can use to encourage businesses to locate or stay in-state. By utilizing and improving the Enterprise Zone Program, the City is revitalizing economically-challenged areas, encouraging private investment in blighted communities, creating needed jobs in the region, and assisting workers who face barriers to employment.

The restructuring of San Diego's Foreign-Trade Zone program was approved by the U.S. Department of Commerce/Foreign-Trade Zone Board at the end of fiscal year 2011. As a result of the restructuring, the City is in a better position to entice new private investments and support international trade opportunities.

The attraction, retention and expansion of local companies are vital in the City's efforts to create local jobs. To that end, significant new projects were completed this past year throughout the City in the sectors of manufacturing, retail, clean tech, and medical devices. Those EGS-facilitated projects included locating a new concentrated photovoltaic manufacturer called Soitec in northern San Diego; the 300,000 square foot Costco Packaging Center in Otay Mesa which will package and distribute Kirkland merchandise to 157 retail outlets in Mexico and the western United States; the expansion of Chromalloy's aircraft engine test and repair facility; the expansion of Integrated DNA Technologies, a medical device manufacturer; the expansion of Westfield Shopping Town-UTC; and a new laboratory for DiscovRx, a drug manufacturer.

Regulatory streamlining efforts are ongoing to encourage new private sector investment. The City recently adopted the 7<sup>th</sup> iteration of the Zoning Code Update which simplifies land use regulations and creates a more predictable approval process for new development. The City also changed its parking regulations to encourage car-share programs and is in the process of updating its policies to encourage sustainable building in San Diego.

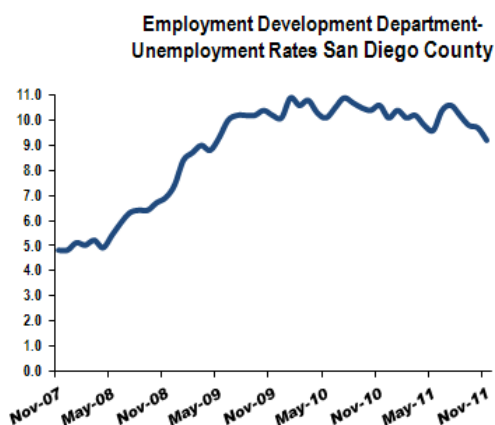
Emerging industry clusters in San Diego are a core focus of EGS support. By partnering with industry cluster organizations such as CleanTECH San Diego, or working directly with companies on their individual needs, EGS provides government aid to help local businesses thrive. Local initiatives that encourage private investment in new clean technology are provided technical and regulatory expertise. During this past year, EGS has assisted ECOtality, Inc. in the installation of electric vehicle charging stations throughout the City. Expanding electric vehicle infrastructure led the City to create an All-Electric Vehicle Car-Share Pilot Program which attracted Car2Go, the first car-share program in North America to exclusively provide all-electric vehicles.

Along the border with Mexico, the City has provided planning, coordination, and advocacy for three major projects. Phase 2 of the 905 Freeway is now under construction with completion expected in 2012. This freeway will accommodate increased international trade within a large industrial area which spans both sides of the border. Two other border infrastructure projects, improvements to the San Ysidro Port of Entry, and construction of a new Cross Border Facility adjacent to Mexico's Rodriguez International Airport, will facilitate increased tourism between San Diego and Mexico.

### Fiscal Fundamentals and Our Regional Economy

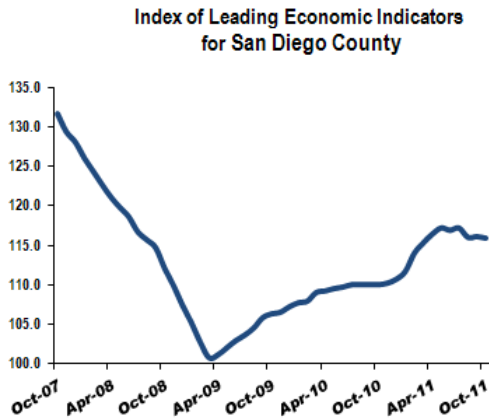
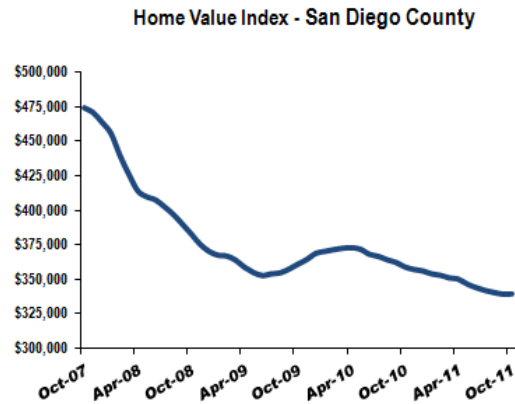
There are currently signs of an economic recovery, but most forecasters predict it will be slow. Retail sales and tourism have improved over the past year. The San Diego region is showing modest but positive signs of decreasing unemployment and stabilization in the housing market. However, the impact of State budgetary actions continue to be challenging. The City continues to closely monitor these areas.

The City has a diversified economy, with the principal employers being government, military, manufacturing, high-tech industries, particularly biotech and telecommunications, and the tourism industry. The City's economic base is also 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 Sanford-Burnham Medical Research Institute.



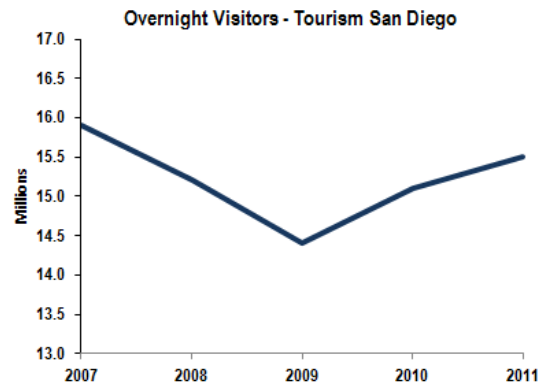
Like all regions around the country, San Diego County's economy has been impacted by the economic recession which has slowed both residential and commercial development within our region. In the past four years unemployment has nearly doubled, rising from 4.8% in November of 2007 to 9.2% in November of 2011. Unemployment hit its peak in July 2010 at 10.9%. Since then we have seen only modest improvement. But we are encouraged to see a 1% improvement in the past four months of the 2011 calendar year.

Since the onset of the economic recession in December 2007, significant decreases in median home prices, home sales, and an increase in foreclosures have led to property tax revenue declines which have had a negative impact to the City of San Diego and its citizens. However in fiscal year 2011, a number of factors have led to declines in foreclosure rates and notices of default. While the market is far from pre-recession levels, it is no longer experiencing the large declines in home values recorded in prior fiscal years and we are beginning to see less volatility and some stabilization in countywide median home values.



The index of leading economic indicators for San Diego County improved over the past twelve months from 110.0 to 115.9. This is consistent with the positive growth in taxable sales that the city experienced in fiscal year 2011, with gains reported in all economic sectors, except construction. The City's sales tax consultant, MuniServices LLC, believes that the growth in fiscal year 2011 may be attributed to consumers who kept their jobs throughout the recession and now feel confident spending money on replacement items and new products.

The positive tourism growth trend that started in fiscal year 2010 is projected to continue through fiscal year 2012 according to the San Diego Convention and Visitors Bureau (CONVIS). Per CONVIS, visitor spending in San Diego is projected to grow 4.1% in 2012 due to more regional visitors, improved hotel room demand and sustainable room rates. This growth should result in higher Transient Occupancy Tax revenue for the City.

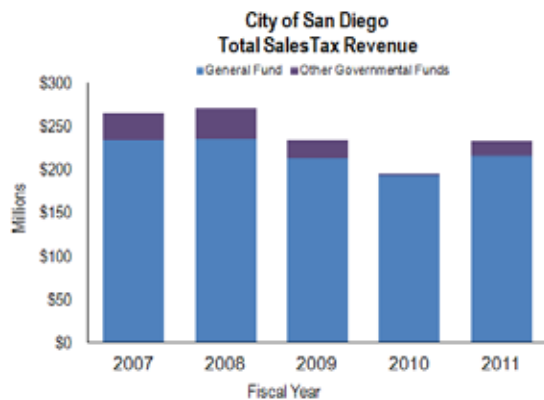
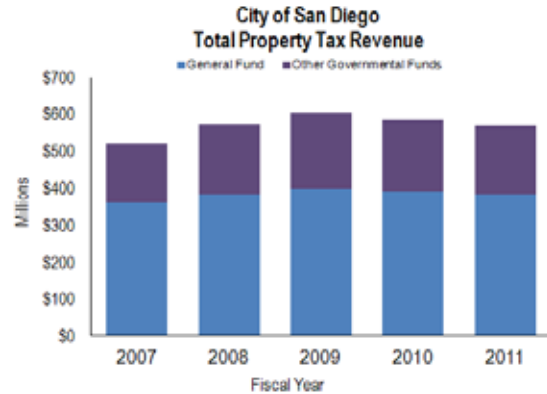


**Governmental Funds (Tax Supported Operations)**

Governmental Funds account for activities that are principally supported by taxes and intergovernmental revenues. 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; and Neighborhood Services. Governmental Fund revenue in fiscal year 2011 increased by \$79 million compared to the prior year. With the exception of property tax revenue, the major Governmental sources of revenue trends indicate a forward movement off of recession lows.

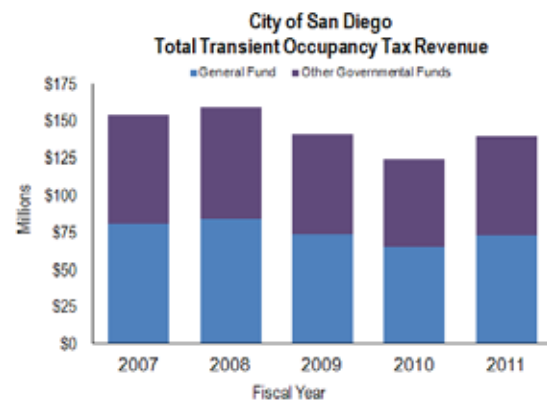
The City’s property tax revenue declined for the second consecutive year in fiscal year 2011 by \$15.3 million. In fiscal year 2011 total property tax revenues were \$569.0 million compared to \$584.3 million in fiscal year 2010, representing a 2.6% decline. Property tax revenues for fiscal year 2012 are budgeted to remain about the same as fiscal year 2011. The most recent projection indicates that fiscal year 2012 General Fund property tax revenue is expected to be approximately \$385 million, which compares to \$384 million in fiscal year 2011. This flattening of the trend is primarily due to a higher collection rate, according to the County Assessor’s Office. Property taxes account for approximately 33% of total Governmental Funds revenue.



Improved consumer spending in fiscal year 2011 had a significant positive effect on sales tax revenues. In fiscal year 2011, total sales tax revenue (including safety sales tax) increased \$39.4 million or 20.5% over fiscal year 2010. This is the first increase following a two-year downturn in General Fund sales tax revenue. The City’s total sales tax revenue budget for fiscal year 2012 is \$251.2 million. The General Fund portion of total fiscal year 2012 budgeted sales tax revenue (including safety sales tax) is \$218.2 million. Fiscal year 2012 General Fund sales tax revenue growth

was budgeted at 4.0%. The most recent projection indicates that fiscal year 2012 sales taxes will exceed the budgeted amount and will mirror improving consumer spending trends. Sales taxes account for approximately 14% of total Governmental Funds revenue.

San Diego remains a top tourist destination due to the region’s natural attractions; however, the tourism industry suffered during the recession. The City’s Transient Occupancy Tax (TOT) rate is currently 10.5% and is allocated according to the Municipal Code. As such, the General Fund receives approximately 52% of these revenues to be used for general governmental purposes, and the TOT fund receives the remaining 48% for the purpose of promoting the City as a tourism destination. In fiscal year 2011, San Diego experienced a resurgence in total TOT revenue, improving



\$15.7 million, a 12.6% increase in TOT revenue over fiscal year 2010. The City's total TOT revenue budget for fiscal year 2012 is \$142.8 million. The General Fund portion of total fiscal year 2012 budgeted TOT revenue is \$74.8 million. Fiscal year 2012 General Fund TOT revenue was budgeted at a 4.0% growth rate. The most recent projection indicates that fiscal year 2012 total TOT revenue will be stronger at \$145.3 million. TOT accounts for approximately 8% of total Governmental Funds revenue.

The fiscal year 2011 year end governmental fund expenditures were \$20 million less than fiscal year 2010. This is a result of staff reductions, a general salary freeze on controllable wages, and reductions in non-personnel operating expenses. The City managed expenditures so as to absorb the significant increase in the pension Annual Required Contribution (ARC) payment in fiscal year 2011.

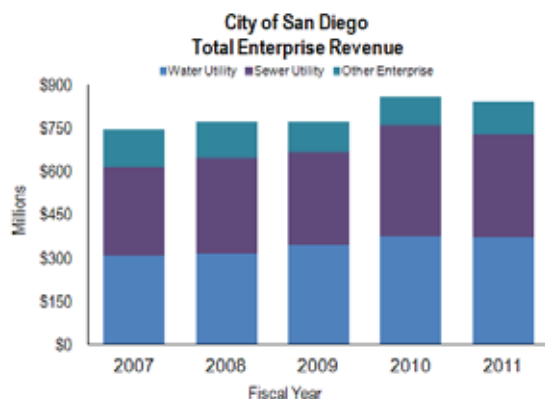
The City privately sold \$161 million Tax and Revenue Anticipation Notes (TRAN) on July 1, 2011 and does not foresee the need to issue additional notes to meet any General Fund liquidity needs for the remainder of fiscal year 2012. The City treasury holds approximately \$2 billion that is invested primarily in US Treasuries and agencies, and consistent with the City's investment policy, has sufficient liquidity to meet all currently foreseeable cash demands. In April 2011, the City entered into a Qualified Energy Conservation Bonds (QECCB) Lease Obligation for the purpose of replacing light fixtures for approximately 28,700 street lights.

The City's capital assets are essential for providing services to its residents and maintaining the quality of its environment. During fiscal year 2011, total capital assets for governmental activities increased by \$28 million. This was funded by a combination of developer contributions, grant monies, and city-funded capital improvement programs.

The City's General Fund capital improvement backlog is estimated to be approximately \$840 million according to the most recent assessment and cost estimate reported in March 2011. This amount includes the cost of needed repairs to City facilities, streets and storm drains but does not include alleys, sidewalks or related soft costs. The City issued \$103 million in bonds during fiscal year 2009 which are currently being used to fund deferred capital improvement projects within the City.

## Business-Type Activities (Enterprise Supported Operations)

The majority of the City's business-type activities are related to utilities that provide water and wastewater services. In fiscal year 2011, the Water and Metropolitan Wastewater Departments were consolidated into a single Public Utilities Department and continue to serve San Diego and several regional agencies outside of the City's boundaries. The utilities operations are mainly supported by fees charged to customers. The Independent Rate Oversight Committee (an independent committee of stakeholders) monitors utility rates and expenses on behalf of the ratepayers.



Enterprise operating revenue declined by \$17 million, or 2%, in fiscal year 2011. Operating revenue from the Water Utility was \$372 million in fiscal year 2011 which was a modest reduction of \$5 million compared to fiscal year 2010. Sewer Utility operating revenue of \$358 million was also down by \$24 million from the prior year due to continued water conservation,



which led to less wastewater entering the system.

Enterprise operating expenses for fiscal year 2011 were \$15 million less than fiscal year 2010, which was a 2% decline. As a result of the Public Utilities Department's continued reduction in operating costs through improved efficiency, and review of processes, both Water Utility expenses and Sewer Utility expenses showed year-over-year reductions which were in line with the reduced revenue for each area. There was also a reduction in water purchase expenses due to reduced water usage and wet weather in fiscal year 2011.

For the year ended June 30, 2011, the City's business-type activities closed with unrestricted net assets totaling \$686 million, an increase over fiscal year 2010 of approximately \$42 million as a result of City Council approved rate increases in the spring of 2010 and reductions in operating expenses for Sewer and Water Utilities. The unrestricted net assets are expected to be applied to the capital program over the next several years as the department spends capital funds to complete the approved CIP projects.

The City's Water Utility Fund received a State Revolving Fund Loan disbursement from the California Department of Public Health totaling \$12 million to assist in financing construction of the Alvarado Water Treatment Plant Ozone Improvement project which will enable the City to meet safe drinking water standards. Net system revenue of the Water Utility Fund has been designated as the dedicated source of funds for repayment of the loan.

The City maintains a network of over 3,000 miles of water pipes and over 3,000 miles of wastewater lines. Compliance with environmental regulations generally requires infrastructure construction, including the replacement of water distribution systems, treatment plant upgrades, the replacement of wastewater collection systems, and improving sewage treatment capacity. The City has agreed with various state and federal regulators to build significant infrastructure upgrades. In fiscal year 2011, the City received final approval of its third five-year modified discharge permit from the Environmental Protection Agency (EPA) and the state Regional Water Quality Control Board that became effective on August 1, 2010. This allows the City to continue operating the Point Loma Wastewater Treatment Plant at advanced primary treatment levels, rather than secondary as otherwise required, through July 2015.

The City began implementing mandatory water use restriction in June 2009 as a persistent regional drought and judicial decisions regarding management of the State Water Project has put significant pressure on San Diego's regional water supplies. The City of San Diego imports as much as 90% of its water supply. The mandatory measures were needed to help San Diego stay within water supply allocations established by the water wholesalers. Within the first year of implementation, the City of San Diego achieved an 11.5% reduction when compared to fiscal year 2009 water usage, and a 14% total reduction through June 2011. Due to abundant precipitation this past winter and improved regional and local water supply conditions, the San Diego City Council ended the Drought Response Level 2 restrictions on May 24, 2011.

In June 2011, the City completed construction and began operations on a demonstration project which intends to verify that highly treated municipal wastewater can be placed in a potable water reservoir and thereby augment local water supplies for the City of San Diego.

## Pension Funding

The City's unfunded pension liability remains a significant obligation of the City. The City has aggressively confronted this deficit, fully funding the City's ARC beginning in fiscal year 2006, and has made significant additional payments in excess of the ARC into the pension fund in certain years. The San Diego City Employees' Retirement System (SDCERS) is the administrator of the City's employee pension funds. On an annual basis, the pension fund portfolio and future pension obligations are evaluated by an independent actuary to determine the full pension liability. The most recent June 30, 2011 valuation calculated the unfunded pension liability to be approximately \$2.178 billion.

Pension Funding Progress (Thousands)			
Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio
6/30/2007	\$4,413,411	\$1,184,242	78.8%
6/30/2008	\$4,660,346	\$1,303,204	78.2%
6/30/2009	\$4,175,229	\$2,106,407	66.5%
6/30/2010	\$4,382,047	\$2,145,177	67.1%
6/30/2011	\$4,739,399	\$2,178,018	68.5%

In fiscal year 2009, the Mayor proposed and City Council approved a new pension plan for General Members (effective July 1, 2009). In addition, pension reforms have been implemented for Police Officers hired after June 30, 2009, Lifeguards hired after June 30, 2011, and Firefighters hired on or after January 1, 2012. These changes are expected to achieve savings in the City's pension payments in future years.

Beginning in fiscal year 2012, the City eliminated the employee retirement offset contribution for elected officials, unrepresented employees and most of the represented employees. This is the portion of the individual's retirement system contribution that the City previously paid on the employee's behalf.

In fiscal year 2011, SDCERS investment portfolio returns were strong with final results of 24.2% compared to 13.4% for fiscal year 2010. SDCERS employs a long-term investment strategy. The City's ARC is determined using an asset smoothing methodology which dampens the volatility of the market value of assets which occurs from fluctuations in market conditions. In fiscal year 2011, the calculated ARC (including Preservation of Benefits Plan-POB) payment increased by \$75.7 million to \$230.9 million, or 48.8%, as a result of smoothing the large loss in market value of the portfolio experienced in fiscal year 2009. The significant increase of the ARC in fiscal year 2011 put a tremendous strain on City's General Fund operating budget. The City responded by adjusting manageable operating expenses through reductions in personnel and supplies costs.

## Retiree Healthcare

The City's actuarial valuation for retiree healthcare costs estimated an unfunded actuarial accrued liability (UAAL) of \$1.132 billion as of June 30, 2011. The City is participating in a trust administered by CalPERS to fund this long-term liability. The actuarial value of these assets as of June 30, 2011 was \$117 million. The City did not fully fund the ARC for retiree healthcare in fiscal year 2011 which was \$120 million. In fiscal year 2011 the City contributed \$59 million to the retiree healthcare plan.

Retiree Healthcare Liabilities (Thousands)			
Actuarial Valuation Date	Actuarial Value of Assets	UAAL	Funded Ratio
6/30/2008	\$29,637	\$1,206,070	2.4%
6/30/2009	\$41,497	\$1,317,880	3.1%
6/30/2010	\$72,720	\$1,128,190	6.1%
6/30/2011	\$116,608	\$1,131,543	9.3%

The City reached agreement with all six labor organizations on reforms to the retiree healthcare benefit for employees hired before July 1, 2005. Signed Memorandums of

Understanding (MOUs) were approved by City Council on January 24, 2012. These new changes, which were approved by employees in September 2011, will be implemented on April 1, 2012. The MOU for retiree healthcare will establish a \$58 million five year maximum cap on the City’s obligation. The actuarial analysis of this change in retiree healthcare benefits indicate that the current UAAL will decrease by approximately \$330 million and the ARC, as of the June 30, 2010 actuarial valuation, will be reduced by approximately \$33 million.

Readers of these financial statements should pay particular attention to Notes 12, 13, 18, and 23, concerning Pension Plans, Other Postemployment Benefits, Contingencies, and Subsequent Events, respectively. 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, 2011.

**Financial Reserve Strategies**

Adequate financial reserves position the City of San Diego to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies, such as natural disasters, catastrophic events caused by human activity, or excessive liabilities or legal judgments against the City.

Maintaining, regularly updating, and adhering to an appropriately constructed reserve policy is a best business practice and is among the factors considered by credit rating agencies and the investment community when assessing the credit-worthiness of an organization. The City of San Diego recognizes its Reserve Policy as a cornerstone of its fiscal health and enjoys a strong investment grade rating for its debt issuances. In December 2011, the City Council approved a revised Reserve Policy that includes appropriate financial reserve levels for various reserve categories and maps out a timeframe to fund various reserves to policy levels.

The Reserve Policy stipulates a number of annually budgeted appropriation and capital reserves as well as overflow reserves (DRES and Unassigned). Generally these reserves may be expended only in the event of a public emergency, as determined by a two-thirds vote of the City Council, when such expenditures are necessary to ensure the safety, lives and property of the City and its inhabitants.

The General Fund Reserve Policy set a funding goal of 8.0% of General Fund revenue by the end of fiscal year 2011. With fiscal discipline and a commitment to strong fiscal policies, the City managed limited resources through the recession to grow the General Fund Reserve from 4.8% in fiscal year 2006 to 11% in fiscal year 2011, resulting in a total reserve balance of \$115 million. This balance is reported within the General Fund Balance Sheet in both Restricted and Unassigned fund balance categories. The City’s goal is to maintain the General Fund Reserves at 8% of revenues.

General Fund Reserves (thousands)				
Name of Reserve	Target	FY 2011 Actual %	FY 2011 Actual \$	Policy Goal Met Year
General Fund Reserve	8%	11%	\$115,534	2011

Citywide Reserves (thousands)				
Name of Reserve	Target	FY 2011 Actual %	FY 2011 Actual \$	Policy Goal Met Year
Public Liability Fund Reserve	50%	17%	\$19,794	2019
Worker’s Compensation Fund Reserve	50%	25%	\$37,476	2019
Long-Term Disability Fund Reserve	\$12,000	77%	\$9,184	2014

The City’s goal is to maintain dedicated reserves equal to 50% of the value of average annual claims against the City for Public Liability and Worker’s

Compensation. The City suspended additional funding into these reserves in fiscal year 2011 and 2012 budgets because of significant budgetary constraints. The revised Reserve Policy sets an annual funding target for the Public Liability and Worker's Compensation fund reserves of \$6.1 and \$5.9 million, respectively. In fiscal year 2011, the Public Liability Fund Reserve had a balance of \$20 million and the Worker's Compensation Fund Reserve had a balance of \$37 million. The City expects to meet full policy funding by the year 2019. The Long-Term Disability Fund Reserve has a target of \$12 million, and in fiscal year 2011 was 77% funded with a target year of 2014 expected for full funding.

Financial Operating Reserves are also maintained for the City's business type activities which include the Water Utility, Sewer Utility and the Disposal and Refuse Service. These reserves have been established to mitigate financial hardship in any

Business Type Activity Reserves (thousands)				
Name of Reserve	Target	FY 2011 Actual %	FY 2011 Actual \$	Policy Goal Met Year
Water Operating Reserve	\$32,700	91%	\$29,900	2013
Water Rate Stabilization Reserve	\$20,500	100%	\$20,500	2011*
Water Secondary Purchase Reserve	6%	0%	\$0	2013
Sewer Operating Reserve	\$41,100	82%	\$33,900	2013
Sewer Rate Stabilization Reserve	\$21,300	100%	\$21,300	2011*
Refuse Disposal Fund App. Reserve	\$4,600	20%	\$920	2015
Recycling Fund Appropriated Reserve	\$2,400	20%	\$480	2015

\* Supports long term bond covenants

one year in the event of a catastrophe that prevents the utility or service from functioning in its normal capacity. As shown in the chart, for fiscal year 2011, the funding levels as a percentage of the policy target were: Water Operating Reserve 91%; Sewer Operating Reserve 82%; Refuse Disposal Appropriated Fund Reserve 20%; and, Recycling Fund Appropriated Reserve 20%. Each of these reserve funds is identified in the revised Reserve Policy with a target year the City anticipates achieving full funding. Two reserves, the Water Rate Stabilization Reserve and the Sewer Rate Stabilization Reserve, are 100% funded and support existing bond covenant agreements. These reserves are reported as unrestricted net assets in the Statement of Net Assets.

## Budgetary Process and the Five Year Financial Outlook

Pursuant to the City Charter, an annual budget is presented by the Mayor to the City Council for consideration. Set forth in this budget are the anticipated revenues and expenditures of the General Fund, certain special revenue funds, enterprise funds, and certain debt service funds for the ensuing fiscal year. Additionally, project-length financial plans are presented to and adopted by the City Council for the capital projects funds. The legal level of budgetary control for the City's General Fund is exercised at the salaries and wages and non-personnel expenditures level. Budgetary control for the other budgeted funds, including those of certain component units, is maintained at the total fund appropriation level.

In June 2011, the City approved a balanced fiscal year 2012 budget through a combination of on-going expenditure reductions, increased revenue projections for sales tax and TOT and some one-time revenue solutions matched to one-time expenditures. Copies of the City's budgets are available at the Financial Management Office located at 202 C Street, MS8A, San Diego, CA 92101 and can be viewed on the City website [www.sandiego.gov](http://www.sandiego.gov).

The City publishes a Five Year Financial Outlook (Outlook) annually for the General Fund. The City's most recently published Outlook for fiscal years 2013 – 2017 was released in October 2011. The Outlook incorporated the most recent revenue and expenditure projections based on fiscal year 2012 trends, local and national economic indicators, and known incremental expenditure adjustments over the forecast period. Expenditure projections were adjusted for known increases and revenue projections were updated using more current growth assumptions than the fiscal year 2012 budget. Based on these factors,

a \$31.8 million deficit in the General Fund was forecast for fiscal year 2013. However, in January 2012, the City received the most recent actuary report which established the fiscal year 2013 ARC payment. Strong investment results, combined with other factors led to a future ARC payment for the General Fund that is \$19 million less than projected in the Outlook. This positive news helps the City's forward looking financial position as we move towards achieving a structurally balanced budget in fiscal year 2013.

The City's General Fund Outlook indicates that approximately 65% of the City's major revenues consist of four revenue sources: property tax, sales tax, TOT, and franchise fees. Nearly 72% of the City's General Fund expenditures are personnel expenditures. The regional economy has shown signs of economic stabilization after the extended recession. The Outlook projects strong growth in Sales tax and TOT revenues over the next five years. However, the Outlook also projects that this revenue growth will be tempered by continued high unemployment levels and a stagnant residential and commercial property market. The extended economic recession, combined with the current slow and uncertain pace of recovery, has continued to place fiscal strain on governments, including the City of San Diego. The Outlook discusses risks and opportunities that affect fiscal decisions and the City's ability to accomplish its strategic financial goals over the next five-year period. These goals include:

- Eliminate the General Fund structural budget deficit
- Meet contractual obligations and fund mandated programs
- Reduce personnel pension and retiree health care liability and annual City cost through the meet and confer process
- Contribute the full payment of the Annual Required Contribution (ARC) for the City's pension system
- Achieve full cost recovery for programs and services that are intended to be fully cost recoverable
- Maintain or enhance General Fund and other reserves according to the City's Reserve Policy
- Preserve City services to the fullest extent possible
- Develop plans to fund deferred capital infrastructure and maintenance needs

In order to achieve and maintain a structurally balanced budget, the Mayor has indicated that cuts to services and programs may continue even when factoring in projected moderate growth in sales tax and TOT tax revenues and minimal growth in property tax revenues budgeted in fiscal year 2012. Resolving the projected budget deficit in fiscal year 2013 may result in additional workforce reductions combined with expenditure savings from reduced or eliminated programs and services. In light of the General Fund Reserve balance of 11% at the end of fiscal year 2011, the Mayor's Adopted Budget for fiscal year 2012 does not include contributions to fund the General Fund reserve. However, the General Fund budget assumes the projected General Fund reserve level of 8% will be maintained.

### **Best Practice Operating Improvements**

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The City continues to implement improvements to the effectiveness and efficiency of its operations and increase transparency to the public. Statistics for many of the key operational metrics can be found in the annual City Budget document listed within each operational department's sub-section.

Since the implementation of the City's new Enterprise Resource Planning (ERP) financial system in 2009, the City has continued to implement additional functional software modules to its ERP system environment. In July 2011, the City converted all of its Utility Customer Billing accounts to the ERP platform. This was a major implementation which successfully transitioned over 274,000 utility customers and set the technical groundwork for a customer billing portal where one day all City billings to a customer can be viewed on the same statement and online customer portal.

With each new module added to the ERP system, the City is able to eliminate costly legacy software applications and hardware. The addition of the ERP system and a well trained workforce are expected to significantly improve the City's financial operations, reporting capabilities and internal controls for years to come. In November 2011, the City was able to successfully transition all legacy applications off of its mainframe and eliminate \$1 million in annual operation costs.

In fiscal year 2011, the City completed an optimization study within its fleet services which was successful in reducing the number of vehicles by approximately 300. This effort is expected to yield an annual cost savings of approximately \$2 million.

San Diego continues to restructure its operations through managed competition. In fiscal year 2011, the first managed competition contract for Printing and Reprographic services was awarded, yielding an estimated annual \$5 million savings. In October 2011, the Mayor awarded another managed competition contract for Fleet Maintenance Services which is expected save the City approximately \$4 million annually.

The City of San Diego is committed to operating a sound, fundamentally sustainable municipal business model. We have addressed pension and retiree health reform and we are structuring ourselves for long-term stability and flexibility. We will continue to balance our annual budgets and look for opportunities to streamline and improve operations and services to our citizens.

### **Purpose, Background, and Scope of this Report**

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San Diego City Charter § 111 requires the City to submit an annual report, including a Statement of Net Assets, and requires that all accounts of the City be audited by an independent auditor. Pursuant to this requirement, the Comprehensive Annual Financial Report (CAFR) of the City of San Diego (City) for the fiscal year ended June 30, 2011, is hereby submitted. The audit firm of Macias Gini & O'Connell LLP has issued an unqualified opinion on the City of San Diego's financial statements. The independent auditor's report is located at the front of the financial section of this report.

The CAFR has been prepared in conformance with the principles and standards for reporting as set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City and its related agencies. The City's objective is to provide you with reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Additionally, the City continues to improve a comprehensive internal control over financial reporting framework in order to ensure acceptable management of taxpayer funds.

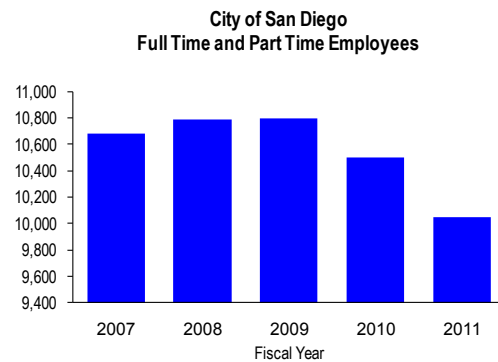
To the best of our knowledge and belief, the data as presented, is accurate in all material respects. It is presented in a manner designed to present fairly the financial position and changes in financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining funds of the City and its related agencies; and all disclosures necessary to enable the reader to gain an understanding of the City's, as well as its related agencies', financial activities have been included.

A narrative introduction, overview, and analysis of the financial statements can be found in Management's Discussion and Analysis (MD&A), which immediately follows the independent auditor's report. The MD&A complements this letter of transmittal and should be read in conjunction with it. The CAFR is organized into three sections:

- The introductory section includes information about the organizational structure of the City, the City's economy, and selected other financial information.
- The financial section is prepared in accordance with governmental accounting standards. It includes the MD&A (unaudited), the independent auditor's report, the audited basic financial statements, notes to the basic financial statements, required supplementary information (unaudited), and supplementary information (unaudited).
- The statistical section contains historical statistical data on the City's financial data and debt statistics, as well as miscellaneous physical, demographic, economic, and social data of the City. This section of the CAFR is unaudited.

## Profile of the City of San Diego

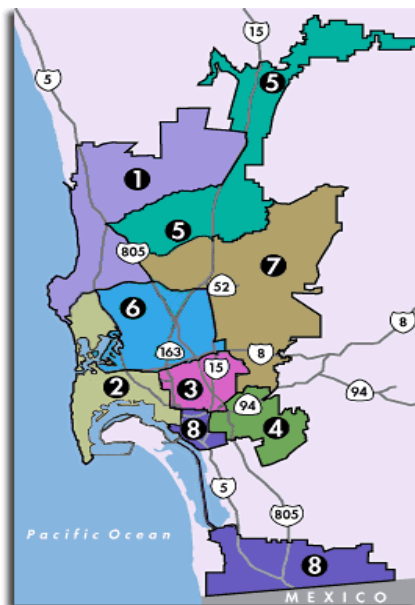
The City of San Diego was incorporated in 1850. The City comprises 324 square miles and, as of January 1, 2011, the California Department of Finance estimates the population to be 1,311,882. The City, with approximately 10,050 employees, provides a full range of governmental services including police and fire protection, sanitation and health services, the construction and maintenance of streets and infrastructure, recreational activities and cultural events, and the maintenance and operation of the water and sewer utilities.



## Governing Structure

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 has operated under a Strong-Mayor form of government since January 2006. The permanent departure from the City's previous Council-Manager form of government was approved by a vote of the public and became effective January 1, 2011. The Mayor is elected at large to serve a four-year term.

### City of San Diego Council District Map



Under the Strong-Mayor form of government, the Mayor is the Chief Executive Officer of the City and has direct oversight over 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 City Council is composed of eight members and is presided over by the Council President, who is selected by a majority vote of the City Council. The Mayor presides over City Council in closed session meetings of the Council. The Council retains its 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 five votes. The City Attorney, who is elected for a four-year term, serves as the chief legal advisor and attorney for the City and all departments.

During the City's primary election held on June 8, 2010, voters approved Measure D which made permanent the Strong-Mayor form of government effective January 1, 2011. Additionally, Measure D increased the number of

City Council districts from eight to nine, and therefore, a corresponding increase of City Council votes required to override the Mayor's veto from five to six. The ninth council district will be added in 2012.



Current Elected Officials  
(As of the issuance of this report)



Mayor Jerry Sanders

District 1 Councilmember Sherri Lightner			District 5 Councilmember Carl DeMaio
District 2 Council President Pro Tem Kevin Faulconer			District 6 Councilmember Lorie Zapf
District 3 Councilmember Todd Gloria			District 7 Councilmember Marti Emerald
District 4 Council President Tony Young			District 8 Councilmember David Alvarez

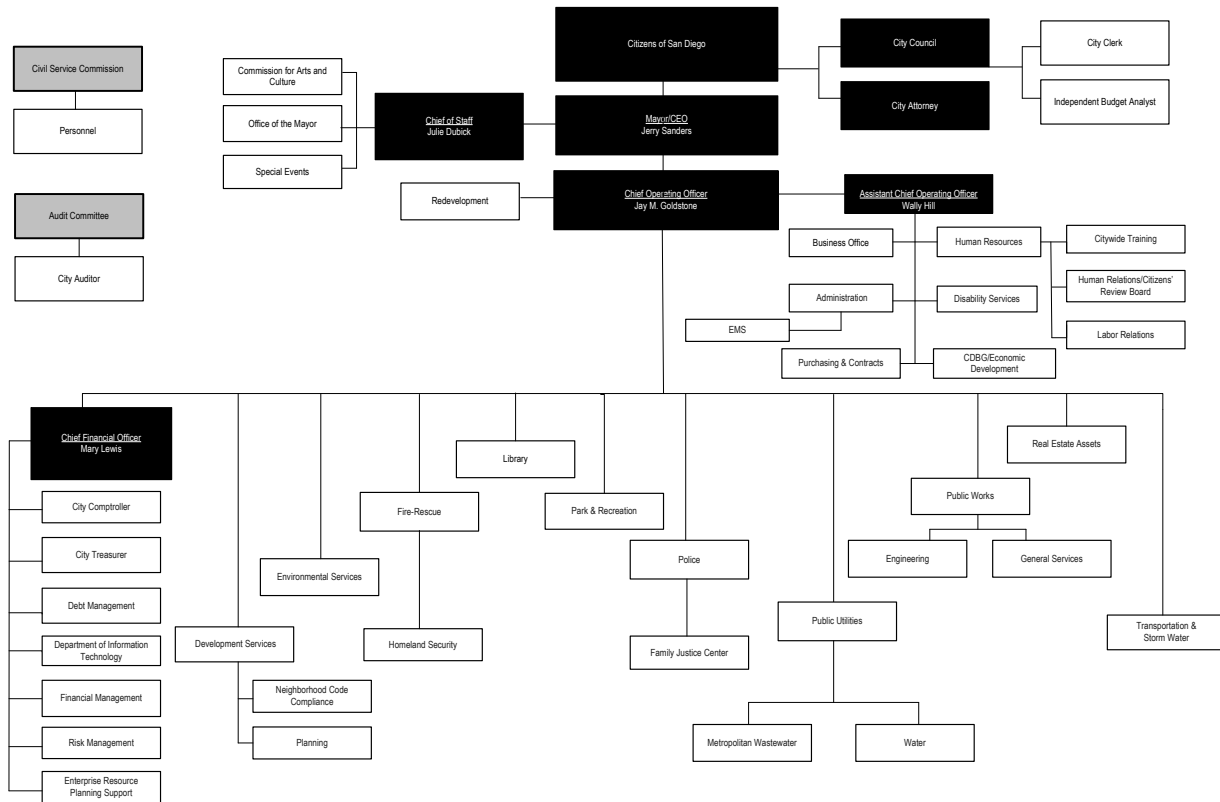


City Attorney  
Jan Goldsmith

Other City Officials

- Jay M. Goldstone, Chief Operating Officer
- Mary Lewis, Chief Financial Officer
- Kenton C. Whitfield, City Comptroller
- Gail R. Granewich, City Treasurer
- Elizabeth Maland, City Clerk
- Andrea Tevlin, Independent Budget Analyst
- Eduardo Luna, City Auditor

### City of San Diego Organization Chart (As of the issuance of this Report)



## Financial Reporting Entities

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In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, the following component units are incorporated into the accompanying financial statements:

- Centre City Development Corporation (CCDC)
- City of San Diego Metropolitan Transit Development Board Authority (MTDB)
- Redevelopment Agency of the City of San Diego (RDA)
- San Diego Data Processing Corporation (SDDPC)
- San Diego Housing Commission (SDHC)
- San Diego Tourism Marketing District
- Tobacco Settlement Revenue Funding Corporation (TSRFC)
- Convention Center Expansion Financing Authority (CCEFA)
- San Diego Convention Center Corporation (SDCCC)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- Southeastern Economic Development Corporation (SEDC)
- Public Facilities Financing Authority (PFFA)
- San Diego City Employees' Retirement System (SDCERS)


Additionally, in fiscal year 2011, the City participated in a joint venture operation with a private company to provide for emergency medical and medical transportation services. This joint venture is a limited liability company named San Diego Medical Services Enterprise, LLC. The financial impact of the joint venture is displayed in the General Fund within the governmental funds statement of revenues, expenditures and changes in fund balance and in the government-wide statement of activities. Effective July 1, 2011, the joint venture was dissolved.

Sincerely,



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Jerry Sanders  
Mayor



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Jay M. Goldstone  
Chief Operating Officer



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Mary Lewis  
Chief Financial Officer



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Kenton C. Whitfield  
City Comptroller

## FINANCIAL SECTION



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

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Diego, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 financial statements reflect 92%, 95%, and 86% of the total assets, total net assets, and total revenues, respectively, of the aggregate discretely presented component units totals. Also, we did not audit the Southeastern Economic Development Corporation, a blended component unit, which financial statements reflect less than 1% in each of the total assets, total net assets, and total revenues, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Diego Housing Commission and the Southeastern Economic Development Corporation is based solely on the reports 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1(w) to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Instruments Omnibus*.

As discussed in Note 14 to the basic financial statements, the City and the Redevelopment Agency of the City of San Diego (RDA), a component unit of the City, entered into a Cooperation Agreement on February 28, 2011, for the implementation of certain redevelopment projects on behalf of the RDA. In connection with the Cooperation Agreement, the RDA transferred funds to the City of approximately \$289 million and transferred ownership to approximately 95 real estate assets.

As described in Note 23 to the basic financial statements, the California State Legislature enacted legislation that was intended to provide for the dissolution of redevelopment agencies in the State of California (Assembly Bill X1 26) unless certain payments are made to the State of California (Assembly Bill X1 27). On December 29, 2011, the California Supreme Court (Court) largely upheld the legislation for the dissolution of redevelopment agencies. Furthermore, the Court invalidated

Assembly Bill X1 27. Accordingly, the RDA is required to dissolve in fiscal year 2011/12 and the guidelines for dissolution are set forth in the legislation. The City's financial statements do not include any adjustments as a result of the dissolution of the RDA.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2012 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedules of funding progress and schedule of contributions from employer and other contributing entities, and general fund budgetary information as listed in the table of contents, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

*Macias Jini & O'Connell LLP*  
San Diego, California  
January 31, 2012



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**  
**(In Thousands)**  
**Year Ended June 30, 2011**

As management of the City of San Diego (City), we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. 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 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 on 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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets during the fiscal year 2011. All changes in net assets 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; and Neighborhood Services. The business-type activities of the City include: Sewer Utility; Water Utility; Airports; Development Services; Environmental Services; Golf Course; and Recycling.

The government-wide financial statements include the City (known as the primary government) and the following legally separate, discretely presented component units: San Diego Convention Center Corporation (SDCCC); and San Diego Housing Commission (SDHC). Financial information for these component units is reported separately from the financial information presented for the primary government. 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:

- Centre City Development Corporation (CCDC)
- City of San Diego/Metropolitan Transit Development Board Authority (MTDB)
- Convention Center Expansion Financing Authority (CCEFA)
- Public Facilities Financing Authority (PFFA)

- Redevelopment Agency of the City of San Diego (RDA)
- San Diego City Employees' Retirement System (SDCERS)
- San Diego Data Processing Corporation (SDDPC)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- Southeastern Economic Development Corporation (SEDC)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)
- San Diego Tourism Marketing District (TMD)

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 fund 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 of 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 statement of revenues, expenditures, and changes in fund balances for the General Fund, which is a major fund. Data from 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 Supplementary Information section of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement 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 Fleet Services, Central Stores, Publishing Services, and Self Insurance, are used to report activities that provide centralized supplies and/or services to the City.

Proprietary fund 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 to be major funds of the City. Data for the nonmajor proprietary 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 Supplementary Information section of this report are individual fund data for the nonmajor proprietary funds and the internal service funds. The basic proprietary funds financial statements can be found beginning on page 58 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 62 of this report.

#### **NOTES TO THE 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 financial statements can be found beginning on page 64 of this report.

#### **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and postemployment healthcare benefits to its employees, and the General Fund's budgetary comparison schedule. Required supplementary information can be found beginning on page 163 of this report.

The individual fund data referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions and the General Fund budgetary comparison schedule, beginning on page 185 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**CITY OF SAN DIEGO'S SUMMARY OF NET ASSETS**  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Capital Assets	\$ 4,514,200	\$ 4,486,074	\$ 4,987,260	\$ 4,904,908	\$ 9,501,460	\$ 9,390,982
Other Assets	2,179,335	2,114,026	1,269,121	1,292,984	3,448,456	3,407,010
Total Assets	6,693,535	6,600,100	6,256,381	6,197,892	12,949,916	12,797,992
Net Long-Term Liabilities	2,121,188	2,052,459	2,273,158	2,325,652	4,394,346	4,378,111
Other Liabilities	202,944	192,596	146,423	140,851	349,367	333,447
Total Liabilities	2,324,132	2,245,055	2,419,581	2,466,503	4,743,713	4,711,558
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	3,812,560	3,780,474	3,094,788	3,035,924	6,907,348	6,816,398
Restricted	949,227	572,382	56,346	52,190	1,005,573	624,572
Unrestricted	(392,384)	2,189	685,666	643,275	293,282	645,464
Total Net Assets	\$ 4,369,403	\$ 4,355,045	\$ 3,836,800	\$ 3,731,389	\$ 8,206,203	\$ 8,086,434

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$8,206,203 as of June 30, 2011, an increase of \$119,769, or approximately 1%, over fiscal year 2010.

\$6,907,348, or approximately 84% of total Net Assets represent the City's investment in capital assets (e.g., land, structures and improvements, equipment, distribution and collections systems, infrastructure, and construction-in-progress), less any outstanding debt used to acquire these assets. The City uses these capital assets to provide services to citizens; 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.

\$1,005,573, or approximately 12%, of total Net Assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$293,282, or approximately 4%, is available to fund ongoing services and obligations to the City's citizens and creditors.

Total Net Assets resulting from Governmental Activities remained fairly stable in fiscal year 2011, with an increase of \$14,358, or less than 1%. However, due to the implementation of GASB Statement No. 54 and the related reclassification of fund balances, there was a significant reclassification between Restricted and Unrestricted Net Assets. Restricted Net Assets increased by \$376,845, while Unrestricted Net Assets decreased by \$394,573.

Total Net Assets resulting from Business-Type Activities increased by \$105,411, or approximately 3%. Invested in Capital Assets, Net of Related Debt increased by approximately \$58,864, or approximately 2%, while Unrestricted Net Assets increased by \$42,391, or approximately 7%. The increase in Unrestricted Net Assets is primarily attributed to Council approved rate increases for Sewer and Water Utilities combined with reductions in operating expenses.

**CITY OF SAN DIEGO'S SUMMARY OF CHANGES IN NET ASSETS**  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues						
Charges for Services	\$ 392,364	\$ 369,740	\$ 842,291	\$ 859,732	\$ 1,234,655	\$ 1,229,472
Operating Grants and Contributions	81,159	71,829	8,355	3,289	89,514	75,118
Capital Grants and Contributions	51,674	60,139	30,692	45,738	82,366	105,877
General Revenues						
Property Taxes	560,577	579,410	-	-	560,577	579,410
Transient Occupancy Taxes	140,752	123,332	-	-	140,752	123,332
Sales Taxes	246,452	244,406	-	-	246,452	244,406
Other Local Taxes	158,797	183,694	-	-	158,797	183,694
Grants and Contributions not Restricted to						
Specific Programs	10,320	18,065	-	-	10,320	18,065
Investment Income	25,488	30,472	13,717	22,332	39,205	52,804
Other	30,471	43,334	12,684	13,321	43,155	56,655
<b>Total Revenues</b>	<b>1,698,054</b>	<b>1,724,421</b>	<b>907,739</b>	<b>944,412</b>	<b>2,605,793</b>	<b>2,668,833</b>
Expenses:						
General Government and Support	361,098	395,344	-	-	361,098	395,344
Public Safety-Police	427,724	402,222	-	-	427,724	402,222
Public Safety-Fire, Life Safety, Homeland Security	223,174	214,975	-	-	223,174	214,975
Parks, Recreation, Culture and Leisure	248,668	266,343	-	-	248,668	266,343
Transportation	191,402	190,054	-	-	191,402	190,054
Sanitation and Health	74,639	78,171	-	-	74,639	78,171
Neighborhood Services	85,588	137,971	-	-	85,588	137,971
Debt Service:						
Interest on Long-Term Debt	77,443	72,672	-	-	77,443	72,672
Sewer Utility	-	-	315,591	338,688	315,591	338,688
Water Utility	-	-	362,830	365,683	362,830	365,683
Airports	-	-	4,297	5,671	4,297	5,671
Development Services	-	-	43,552	36,640	43,552	36,640
Environmental Services	-	-	34,904	33,955	34,904	33,955
Golf Course	-	-	15,503	14,618	15,503	14,618
Recycling	-	-	19,611	19,265	19,611	19,265
<b>Total Expenses</b>	<b>1,689,736</b>	<b>1,757,752</b>	<b>796,288</b>	<b>814,520</b>	<b>2,486,024</b>	<b>2,572,272</b>
Change in Net Assets Before Transfers:	8,318	(33,331)	111,451	129,892	119,769	96,561
Transfers	6,040	(1,218)	(6,040)	1,218	-	-
<b>Net Change in Net Assets</b>	<b>14,358</b>	<b>(34,549)</b>	<b>105,411</b>	<b>131,110</b>	<b>119,769</b>	<b>96,561</b>
Net Assets - July 1	4,355,045	4,389,594	3,731,389	3,600,279	8,086,434	7,989,873
<b>Net Assets - June 30</b>	<b>\$ 4,369,403</b>	<b>\$ 4,355,045</b>	<b>\$ 3,836,800</b>	<b>\$ 3,731,389</b>	<b>\$ 8,206,203</b>	<b>\$ 8,086,434</b>

**GOVERNMENTAL ACTIVITIES**

Governmental activities increased the City's net assets by \$14,358 during fiscal year 2011. Variances from fiscal year 2010 of more than 10% are discussed below.

- Operating Grants and Contributions increased by \$9,330, or approximately 13%, primarily due to an increase in federal awards from the Office of Homeland Security.
- Capital Grants and Contributions decreased by \$8,465, or approximately 14%, primarily due to a large land donation of approximately \$9,700 in the prior fiscal year.
- Transient Occupancy Taxes increased by \$17,420, or approximately 14%, primarily due to an improvement in the local tourism industry.
- Other Local Taxes decreased by \$24,897, or approximately 14%. Approximately \$16,000 of this variance is due to a decrease in accrued SDG&E franchise revenues for the Underground Surcharge Program resulting from a one-time accrual in the previous fiscal year. The remaining amount was due to an overall decrease in franchise revenues received from SDG&E by the Underground Surcharge Fund as well as the General Fund.
- Grants and Contributions not Restricted to Specific Programs decreased by \$7,745, or approximately 43%, primarily due to a one-time revenue recorded in the prior fiscal year as a result of RDA's negotiations with various developers to reduce outstanding long-term debt obligations.
- Investment Income decreased by \$4,984, or approximately 16%, primarily due to the prolonged period of low interest rates.
- Other Revenue decreased by \$12,863, or approximately 30%. This variance is due to the recognition of a \$24,419 contract payable which was previously recorded as developer contributions revenue. This decrease was partially offset by an increase in developer contributions for both Impact Fees and Facilities Benefit Assessments primarily related to the communities of Otay Mesa West, North University City and the Mission Valley Urban Community.
- Neighborhood Services expense decreased by \$52,383, or approximately 38%. This variance was primarily attributed to a decrease in accrued liability claims related to RDA of \$58,500. In the prior fiscal year, this accrual was recorded as the result of an audit of the City's CDBG Program by the Office of the Inspector General. During fiscal year 2011, RDA experienced an offsetting increase of approximately \$5,500 due to one-time expenses for the Quiet Zone Project in the downtown area.

**BUSINESS-TYPE ACTIVITIES**

Business-type activities increased the City's net assets by \$105,411 during fiscal year 2011. Variances from fiscal year 2010 of more than 10% are discussed below.

- Operating Grants and Contributions increased by \$5,066, or approximately 154%, primarily due to a Proposition 50 grant received by Water Utilities.
- Capital Grants and Contributions decreased by \$15,046, or approximately 33%, primarily due to a reduction in developer contributed assets of approximately \$25,000 for Water and Sewer Utilities. This was partially offset by increased capacity charges.

- Investment Income decreased by \$8,615, or approximately 39%, primarily due to the prolonged period of low interest rates.
- Airports expense decreased by \$1,374, or approximately 24%, primarily due to a reduction of expenses for gypsum waste removal.
- Development Services expense increased by \$6,912, or approximately 19%, primarily due to the inclusion of the Subdivision Deposit Trust Fund in fiscal year 2011, which was previously classified as a Special Revenue fund.

## 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 2011, the City's governmental funds reported combined ending fund balances of \$1,708,239, an increase of \$68,899 over fiscal year 2010. Approximately \$30,963 constitutes unassigned fund balance, which is available for spending at the government's direction. The remainder of fund balance is not available for new spending because it has been restricted, committed, or assigned (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, or (4) for a variety of other purposes.

The General Fund is the principal operating fund of the City. Total Fund Balance for the General Fund was \$245,748, an increase of \$87,173 over fiscal year 2010. This increase is primarily due to the transfer of \$85,019 of RDA fund balance to the General Fund resulting from the Cooperation Agreement entered into on February 28, 2011. RDA funds are classified as Restricted fund balance.

### PROPRIETARY FUNDS

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

As of the end of fiscal year 2011, Unrestricted Net Assets of the Sewer Utility Fund were \$388,421, an increase of \$36,080, or approximately 10% over fiscal year 2010. The Unrestricted Net Assets of the Water Utility Fund were \$245,966, an increase of \$12,701, or approximately 5% over fiscal year 2010. Both increases were primarily due to Council approved rate increases as well as reductions in operating expenses.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for expenditures and transfers out was \$1,671 lower than the final budget due to increases (decreases) in appropriations primarily attributed to the following:

- \$9,100 for Public Safety-Police. This increase was primarily due to higher than anticipated personnel costs associated with overtime and pay in-lieu of annual leave.

- \$7,631 for Public Safety-Fire and Life Safety and Homeland Security. This increase was due to higher than anticipated personnel costs associated with overtime and pay in-lieu of annual leave.
- (\$14,638) for Transportation. This decrease was primarily due to a reclassification of Proposition 42 transportation expenditures from the General Fund to the Special Revenue Fund.
- \$1,312 for Sanitation and Health. This increase was primarily due to expenditures related to the Miramar Landfill.

Actual revenues received for the General Fund were \$11,654 less than budgeted. Property Tax revenues were under budget by \$6,038 primarily due to a decrease in assessed valuations. Sales Tax and Transient Occupancy Tax were over budget by \$12,014 and \$7,284, respectively, primarily due to an improvement in consumer spending and tourism. Licenses and Permits revenue was under budget by \$2,975 due to lower than anticipated Parking Meter revenue. Revenue from Other Agencies was over budget by \$4,916 primarily due to higher than expected Motor Vehicle License renewals. Charges for Current Services came in \$23,083 under budget due to revenue shortfalls in the General Services and Parks and Recreation departments.

Actual expenditures for the General Fund were \$12,790 under budget. General Government and Support had appropriation savings of \$7,709 due to the allocation of fringe benefit expenditures which was lower than budgeted. Parks, Recreation, Culture and Leisure had appropriation savings of \$2,895 due to the department's water conservation efforts accompanied by increased rainfall during the year. Additionally, Neighborhood Services had appropriation savings of \$1,291 primarily due to lower than anticipated contractual obligations.

## CAPITAL ASSET AND DEBT ADMINISTRATION

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land & Rights of Way	\$ 1,811,971	\$ 1,798,345	\$ 95,442	\$ 95,428	\$ 1,907,413	\$ 1,893,773
Easements	277	5	44	19	321	24
Construction-in-Progress	221,796	191,743	215,929	288,869	437,725	480,612
Structures and Improvements	787,859	811,904	1,340,061	1,305,899	2,127,920	2,117,803
Equipment	142,020	153,279	154,080	147,086	296,100	300,365
Intangible Equipment	34,314	37,619	-	-	34,314	37,619
Distribution and Collection Systems	-	-	3,181,704	3,067,607	3,181,704	3,067,607
Infrastructure	1,515,963	1,493,179	-	-	1,515,963	1,493,179
Totals	<u>\$ 4,514,200</u>	<u>\$ 4,486,074</u>	<u>\$ 4,987,260</u>	<u>\$ 4,904,908</u>	<u>\$ 9,501,460</u>	<u>\$ 9,390,982</u>



## CAPITAL ASSETS

In accordance with GASB Statement Nos. 34 and 51, all major assets such as streets, signals, bridges, drains 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 proprietary assets are reported at the fund level. Governmental funds are reported on a modified accrual basis at the fund level. Differences between reporting at the fund level and government-wide level for these governmental assets will be explained in both the reconciliation and the accompanying notes to the financial statements.

The City's investment in capital assets (including infrastructure) for governmental and business-type activities as of June 30, 2011 was \$9,501,460 (net of accumulated depreciation/amortization). There was an overall increase in the City's investment in capital assets over fiscal year 2010 of approximately \$110,478. Readers interested in more detailed information on capital asset activity should refer to Note 4 - Capital Assets.

## HIGHLIGHTS OF FISCAL YEAR 2011 CAPITAL IMPROVEMENT ACTIVITIES

### Governmental Activities

- Construction on San Diego's New Main Library began in fiscal year 2011. Once completed, the project will provide for a new multi-story, multi-use facility that will include a Charter High School, auditorium, art gallery and multiple public meeting spaces. The 500,000 square foot building will meet current library needs as well as provide room for growth. The new library is expected to be open for use in June 2013. The project is being funded by multiple sources including redevelopment funding, grant funds and private donations. The City's fiscal year 2011 capital expenditures for this project were \$38,588.
- Construction began on the La Jolla Village Drive/I-805 interchange project during fiscal year 2011. The project will provide for a reconfiguration of the freeway interchanges as well as widening the road and overpass structures. New bike lanes will also be constructed as part of the improvements. Once complete in 2012, traffic circulation and safety in the University City community area is designed to be significantly improved. The project is being funded by the North City Facilities Benefit Assessment (FBA). The City's fiscal year 2011 capital expenditures for this project were \$3,838.
- Otay Mesa Truck Route Phase 3 completed construction at the end of fiscal year 2011. This phase of the project provided for the addition of an emergency lane and paved shoulder from Drucker Lane to the international port of entry. This addition will provide a dedicated emergency lane for Border Patrol, Police, and other emergency vehicle use. This project was partially funded by TransNet funds and grant funds. The City's fiscal year 2011 capital expenditures for this project were \$2,257.
- Property acquisition for the Olive Street Park Acquisition and Development project was completed early in fiscal year 2011. The project will ultimately provide for the expansion of useable park acreage in the Uptown Community at the south end of the existing Olive Street Park. Final improvements may include multi-purpose turf areas, children's play area, seating, ADA compliant walkways, landscaping and security lighting. The City's fiscal year 2011 capital expenditures for this project were \$1,425.
- The asphalt overlay of approximately 52 miles of roads Citywide, and the installation of approximately 1,147 new curb ramps was completed during fiscal year 2011. This project was one of several that will result in improved surface street conditions. Funded by the Deferred Capital Bond of 2009, the City's fiscal year 2011 expenditures for this project were \$15,498.

- The replacement of approximately 12,600 linear feet of sidewalks as well as the installation of an additional 88 curb ramps was completed during fiscal year 2011. The Deferred Capital Bond of 2009 was the major funding source for these infrastructure improvements. The City's fiscal year 2011 expenditures for this project were \$1,702.
- The undergrounding of utility lines within the Old Town San Diego community began early in fiscal year 2011 and will continue through fiscal year 2012. When complete, all utilities within residential block 2-E will be underground. This project is completely funded by the Utility Underground Fund and contributions from SDG&E. In fiscal year 2011, \$2,682 was expended toward the initiation of the project.
- Installation of a new irrigation system continued at the Balboa Park Golf Course and is expected to be complete in fiscal year 2012. This project will provide for new irrigation systems at both the 18-hole and 9-hole golf courses at Balboa Park. The City's fiscal year 2011 capital expenditures for this project were \$2,394.
- Property acquisition was completed for the Gonzales Canyon Neighborhood Park project. When complete, this project will provide for a five acre park adjacent to a future planned elementary school. Park amenities will include a multi-purpose turf sports field, lighted ball fields, comfort stations, children's play areas and other improvements. Project expenditures towards land acquisition totaled \$2,850 during fiscal year 2011.

#### Business-Type Activities

During fiscal year 2011, the Water Utility Fund added approximately \$39,598 in capital improvement projects (CIP). CIS ERP Implementation, Water Group Job 915, Advanced Water Demonstration Plant, Water Group Job 790, and the Alvarado Water Treatment Plant Upgrade and Expansion continued, along with water main replacements. Capital asset write-offs for fiscal year 2011 were approximately \$1,387, and were primarily related to losses on abandoned projects and retirements of developer contributed assets.

During fiscal year 2011, the Sewer Utility Fund added approximately \$66,004 in CIP, of which the Metropolitan system CIP increased approximately \$5,455. Municipal system CIP increased approximately \$60,549 and included the following major projects: South Mission Valley Trunk Sewer, CIS ERP Implementation, Lake Murray Trunk Sewer, and the continued replacement of sewer mains and upgrades to the sewer infrastructure. Capital asset write-offs for fiscal year 2011 were approximately \$1,971 and were primarily related to losses on abandoned projects and retirements of developer contributed assets.

#### **HIGHLIGHTS OF THE APPROVED FISCAL YEAR 2012 CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET**

The Annual Approved Capital Improvements Budget for Fiscal Year 2012 is \$208,100 which is a decrease of \$91,500 or approximately 30.6% from the fiscal year 2011 budget of \$299,600. The decrease in the fiscal year 2012 budget is primarily due to a reprioritization of public utilities projects. Water and Sewer projects comprise over 52.5% of the total CIP budget, Transportation related projects represent 17.4% of the total CIP Budget, and building improvements make up 22.4% of the overall program budget. Funding for governmental projects includes: TransNet funds; Facilities Benefit Assessments; Developer Impact Fees; developer contributions; federal, state, local, and private contributions; land sale proceeds; and deferred capital projects bonds. Highlights of the key budgets by department are as follows:

#### Governmental Activities

- Transportation & Storm Water: \$37,200. Key projects include the undergrounding of City utilities to augment the California Public Utilities Commission (CPUC) Rule 20A funds and conversion of City-owned street lighting and resurfacing of roadways associated with the undergrounding of utilities. The estimated \$15,000 annual allocation

funding for these projects is funded entirely by the Underground Surcharge Fund. Other significant projects include \$2,300 for Palm Avenue Roadway Improvements, \$1,500 for Juan Street Concrete Street and \$10,500 for improvements at State Route 163 & Friars Road.

- Fire-Rescue: \$4,700. Projects during the 2012 fiscal year include the installation of a new department wide In-Station Alerting system as well as the construction of a new East Mission Valley Fire Station.
- Parks and Recreation: \$5,900. Planned project types for fiscal year 2012 include play area upgrades, joint use fields, accessibility improvements, comfort stations, picnic shelters, sports field and security lighting, new park development and golf course improvements and upgrades.

#### Business-Type Activities

The fiscal year 2012 Public Utilities CIP budget is \$145,400. Significant projects include: \$55,100 for water main replacements; \$30,000 for sewer main replacements; \$17,000 for the replacement of trunk sewers; \$8,800 for water pump station restorations; \$5,300 for Metro Biosolids Center (MBC) – Bio Solids Storage Silos; and \$4,500 for standpipe and reservoir rehabilitations.

#### **LONG-TERM DEBT**

#### **CITY OF SAN DIEGO'S OUTSTANDING DEBT** (In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Capital Lease Obligations	\$ 68,018	\$ 84,561	\$ -	\$ -	\$ 68,018	\$ 84,561
QECCB Lease Obligations	13,142	-	-	-	13,142	-
Contracts Payable	24,419	1,018	-	-	24,419	1,018
Notes Payable	-	3,301	-	-	-	3,301
Loans Payable	36,621	79,395	91,025	84,673	127,646	164,068
Section 108 Loans	16,342	31,496	-	-	16,342	31,496
General Obligation Bonds	2,240	4,340	-	-	2,240	4,340
Revenue Bonds/COP's/ Lease Revenue Bonds	531,550	547,260	2,009,160	2,073,075	2,540,710	2,620,335
Tax Allocation Bonds	615,495	529,423	-	-	615,495	529,423
Tobacco Settlement Asset-Backed Bonds	89,600	92,350	-	-	89,600	92,350
Pooled Financing Bonds	32,010	32,780	-	-	32,010	32,780
<b>Totals</b>	<b>\$ 1,429,437</b>	<b>\$ 1,405,924</b>	<b>\$ 2,100,185</b>	<b>\$ 2,157,748</b>	<b>\$ 3,529,622</b>	<b>\$ 3,563,672</b>

At the end of fiscal year 2011, the City, including blended component units, had total debt outstanding of approximately \$3,529,622. Of this amount, \$2,240 is comprised of debt backed by the full faith and credit of the City. The remainder of the City's debt represents revenue bonds, lease revenue bonds, certificates of participation (COPs), tax allocation bonds, tobacco settlement asset-backed bonds, pooled financing bonds, contracts payable, loans payable, Section 108 loans, SRF loans, Taxable Qualified Energy Conservation Bonds (QECCBs) and capital lease obligations.

#### Governmental Activities

- The City (RDA) issued \$58,565 of Housing Set-Aside Tax Allocation Bonds for the purpose of repaying long-term debt and to finance a portion of the costs of low and moderate income housing projects within the City Heights, North Bay, and North Park, Crossroads, Naval Training Center and San Ysidro Redevelopment Project areas. The Series 2010A taxable bonds are payable solely from, and secured by, a pledge of tax revenues derived from the 20% of tax increment allocated to RDA from the Redevelopment Project Areas that RDA is obligated to deposit into its Low and Moderate Income Housing Fund. Bond proceeds were used to repay \$25,634 of the San Diego National Bank line of credit outstanding principal, \$1,018 to repay the Western Pacific Housing Contract Payable and \$1,607 to repay the Price Charities Note Payable dated April 2001.
- The City (RDA) issued \$19,765 of Tax Allocation Bonds for the purpose of repaying long-term debt and financing a portion of the costs of redevelopment activities within the Naval Training Center Redevelopment Project. The Series A bonds are payable solely from, and secured by, a pledge of tax revenues allocated to RDA from the Naval Training Center Redevelopment Project, excluding those monies that RDA is obligated to deposit into its Low and Moderate Income Housing Fund and monies allocable to other taking agencies under the Redevelopment Law. Bond proceeds were used to repay \$12,211 of the San Diego National Bank line of credit outstanding principal.
- The City (RDA) issued \$4,915 of Tax Allocation Bonds for the purpose of financing certain redevelopment activities within, or of benefit to, the Crossroads Redevelopment Project. The Series A bonds are payable solely from, and secured by, a pledge of tax revenues allocated to RDA from the Crossroads Redevelopment Project, excluding those monies that RDA is obligated to deposit into its Low and Moderate Income Housing Fund and excluding monies which are allocable to other taking agencies under the Redevelopment Law.
- The City (RDA) issued \$5,635 of 2010 Series A tax-exempt and \$9,590 of 2010 Series B taxable City Heights Redevelopment Project Tax Allocation Bonds. The Series A bonds were issued to fund redevelopment projects within the City Heights Redevelopment Project and the Series B bonds were issued for the purpose of repaying long-term debt and to finance redevelopment activities in the City Heights Redevelopment Project. The 2010 Series A and B bonds are payable solely from, and secured by, pledged tax revenues allocated to RDA from the City Heights Redevelopment Project, excluding amounts payable to RDA's Low and Moderate Income Housing Fund, and amounts payable to other taxing agencies pursuant to tax sharing agreements. Bond proceeds were used to repay \$2,010 of the San Diego National Bank line of credit outstanding principal and \$1,827 to repay the Price Charities Note Payable dated May 2005.
- The City (RDA) issued \$2,900 of 2010 Series A tax-exempt and \$5,030 Series B taxable San Ysidro Redevelopment Project Tax Allocation Bonds. The Series A bonds were issued to repay certain redevelopment activities within or of benefit to the San Ysidro Redevelopment Project and the Series B bonds were issued for the purpose of repaying a loan with a developer and fund certain redevelopment activities in the Redevelopment Project. The 2010 Series A and B bonds are payable solely from, and secured by, tax revenues allocated to RDA from the San Ysidro Redevelopment Project, excluding those monies that RDA is obligated to deposit into its Low and Moderate Income Housing Fund and excluding monies which are allocable to other taxing agencies under the Redevelopment Law. Proceeds from the

Series B bonds were used to repay \$1,768 of the International Gateway Associates, LLC loan payable dated October 2001 and \$1,212 to repay the PCCP/SB Las Americas, LLC loan payable dated August 2005.

- The City issued \$13,142 of taxable QECBs pursuant to the America Recovery and Reinvestment Act of 2009. The QECB financing is eligible for the direct interest subsidy payment from the U.S. Department of the Treasury within the meaning of Section 54D(a) of the Internal Revenue Code of 1986, as amended. The QECBs were issued to fund the Broad Spectrum Street Lighting Conversion Program and will be paid from annual appropriations payable out of any source of legally available funds.
- Total principal payments or reductions of long-term debt were \$121,292. Of this amount, \$41,658 was for scheduled bond principal payments on outstanding bonds, \$58,273 for loans payable, \$3,434 for notes payable, \$1,018 for contracts payable and \$16,909 for capital leases. Readers interested in more detailed information regarding Governmental Activities Long Term Liabilities should refer to Note 5.

#### Business-Type Activities

- The City received a State Revolving Fund Loan disbursement from the State of California Department of Public Health totaling \$12,000 to assist in financing the construction of the Alvarado Water Treatment Plant Ozone Improvement project which will enable the City to meet safe drinking water standards.
- Total principal payments for long-term debt were \$69,680, \$63,915 of which was for principal payments on outstanding bonds and \$5,765 on loans 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 credit ratings on the City of San Diego's outstanding Lease Revenue Bonds and Revenue Bonds are as follows:

	<b>Moody's Investors Service</b>	<b>Fitch Ratings</b>	<b>Standard &amp; Poor's</b>
General Fund Backed Lease Revenue Bonds Outlook	A2 Stable	A+ Stable	A- Stable
Wastewater System Bonds Outlook	Aa3 Stable	AA Stable	A+ Stable
Water System Bonds Outlook	Aa2/Aa3 Stable	AA/AA- Stable	AA-/A+ Stable

Section 90 of the City Charter provides that the general obligation 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. The City's outstanding general obligation balance of \$2,240 as of June 30, 2011 is significantly less than the current debt limitations for water and other purposes, which are \$5,972,443 and \$3,981,629 respectively (see Statistical Section, Table 12).

It has been the City's practice, as provided for in Section 90.1 of the City Charter, to issue revenue bonds for the purpose of constructing water facilities. Per Section 90.1, revenue bonds do not constitute an indebtedness of the City. They are special obligations payable from the revenues received by the utility. Similarly, Section 90.2 authorizes the issuance of revenue bonds for the purpose of constructing improvements to the City's sewer utility.

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

### **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 Office of the City Comptroller at [comptroller@sandiego.gov](mailto:comptroller@sandiego.gov). This financial report is also available on the City's website at [www.sandiego.gov](http://www.sandiego.gov), under the Office of the City Comptroller. Additional information intended for the investor community is available on the Investor Information web page also located on the City's website listed above.

## BASIC FINANCIAL STATEMENTS





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**STATEMENT OF NET ASSETS**  
**June 30, 2011**  
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
<b>ASSETS</b>					
Cash and Investments .....	\$ 1,482,248	\$ 754,367	\$ 2,236,615	\$ 10,319	\$ 129,471
Receivables:					
Taxes - Net of Allowance for Uncollectibles (Governmental \$5,821) .....	93,749	-	93,749	-	-
Accounts - Net of Allowance for Uncollectibles					
(Governmental \$26,090, Business-Type \$6,194) .....	120,142	114,487	234,629	3,632	6,177
Claims .....	222	434	656	-	-
Special Assessments .....	2,061	-	2,061	-	-
Notes .....	180,317	-	180,317	-	222,271
Accrued Interest .....	2,264	2,317	4,581	-	24,733
Grants .....	53,406	3,328	56,734	-	-
Investment in Joint Venture .....	2,055	-	2,055	-	-
Advances to Other Agencies .....	5,268	-	5,268	-	-
Internal Balances .....	(3,080)	3,080	-	-	-
Inventories of Water in Storage .....	-	50,186	50,186	-	-
Inventories .....	2,764	541	3,305	16	-
Land Held for Resale .....	44,664	-	44,664	-	-
Prepaid Expenses .....	4,280	-	4,280	975	567
Restricted Cash and Investments .....	171,548	327,470	499,018	3,107	4,425
Deferred Charges .....	17,427	12,911	30,338	-	2,057
Capital Assets - Non-Depreciable .....	2,034,044	311,415	2,345,459	16,594	60,907
Capital Assets - Depreciable .....	2,480,156	4,675,845	7,156,001	14,888	91,106
<b>TOTAL ASSETS .....</b>	<b>6,693,535</b>	<b>6,256,381</b>	<b>12,949,916</b>	<b>49,531</b>	<b>541,714</b>

**STATEMENT OF NET ASSETS**  
**June 30, 2011**  
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
<b>LIABILITIES</b>					
Accounts Payable .....	\$ 94,260	\$ 52,403	\$ 146,663	\$ 1,747	\$ 2,782
Accrued Wages and Benefits .....	39,493	25,554	65,047	-	742
Other Accrued Liabilities .....	67	-	67	2,376	1,470
Interest Accrued on Long-Term Debt .....	21,850	25,345	47,195	-	574
Long-Term Liabilities Due Within One Year .....	143,883	85,690	229,573	1,475	25,226
Due to Other Agencies .....	3,379	2,218	5,597	-	-
Unearned Revenue .....	39,728	15,171	54,899	7,642	3,459
Contract Deposits .....	502	8,103	8,605	-	-
Sundry Trust Liabilities .....	3,665	-	3,665	-	-
Liabilities Payable from Restricted Assets:					
Customer Deposits Payable .....	-	11,519	11,519	-	-
Deposits/Advances from Others .....	-	6,110	6,110	-	1,321
Long-Term Liabilities Due After One Year:					
Arbitrage Liability .....	3	25	28	-	-
Compensated Absences .....	42,112	7,433	49,545	49	-
Liability Claims .....	277,333	11,750	289,083	-	-
Capital Lease Obligations .....	50,742	-	50,742	-	-
QEGB Lease Obligations .....	12,392	-	12,392	-	-
Contracts Payable .....	19,720	-	19,720	-	-
Notes Payable .....	-	-	-	15,669	101,625
Loans Payable .....	28,560	84,692	113,252	-	-
Section 108 Loans Payable .....	15,188	-	15,188	-	-
Net Bonds Payable .....	1,246,217	1,991,171	3,237,388	-	-
Estimated Landfill Closure and Postclosure Care .....	-	20,845	20,845	-	-
Net Other Post Employment Benefit Obligation .....	167,819	48,161	215,980	-	-
Net Pension Obligation .....	117,219	23,391	140,610	-	-
<b>TOTAL LIABILITIES .....</b>	<b>2,324,132</b>	<b>2,419,581</b>	<b>4,743,713</b>	<b>28,958</b>	<b>137,199</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt .....	3,812,560	3,094,788	6,907,348	17,361	43,092
Restricted for:					
Capital Projects .....	654,126	-	654,126	1,733	-
Debt Service .....	-	11,129	11,129	-	-
Low-Moderate Income Housing .....	84,260	-	84,260	-	-
Nonexpendable Permanent Endowments .....	15,670	-	15,670	-	-
Other .....	195,171	45,217	240,388	1,375	137,162
Unrestricted .....	(392,384)	685,666	293,282	104	224,261
<b>TOTAL NET ASSETS .....</b>	<b>\$ 4,369,403</b>	<b>\$ 3,836,800</b>	<b>\$ 8,206,203</b>	<b>\$ 20,573</b>	<b>\$ 404,515</b>

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

**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2011**  
(In Thousands)

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</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 .....	\$ 361,098	\$ 185,696	\$ 9,029	\$ 296
Public Safety - Police .....	427,724	44,879	4,772	449
Public Safety - Fire and Life Safety and Homeland Security ....	223,174	30,655	27,607	220
Parks, Recreation, Culture and Leisure .....	248,668	65,033	7,037	14,960
Transportation .....	191,402	27,304	-	34,565
Sanitation and Health .....	74,639	11,784	2,795	395
Neighborhood Services .....	85,588	27,013	29,919	789
Debt Service:				
Interest .....	77,443	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES .....</b>	<b>1,689,736</b>	<b>392,364</b>	<b>81,159</b>	<b>51,674</b>
<b>Business-Type Activities:</b>				
Sewer Utility .....	315,591	357,731	380	12,345
Water Utility .....	362,830	371,515	7,231	18,011
Airports .....	4,297	4,749	9	336
Development Services .....	43,552	45,743	-	-
Environmental Services .....	34,904	28,246	-	-
Golf Course .....	15,503	15,715	-	-
Recycling .....	19,611	18,592	735	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES .....</b>	<b>796,288</b>	<b>842,291</b>	<b>8,355</b>	<b>30,692</b>
<b>TOTAL PRIMARY GOVERNMENT .....</b>	<b>\$ 2,486,024</b>	<b>\$ 1,234,655</b>	<b>\$ 89,514</b>	<b>\$ 82,366</b>
<b>Component Units:</b>				
San Diego Convention Center Corporation .....	\$ 36,417	\$ 31,418	\$ 3,656	\$ 143
San Diego Housing Commission .....	202,290	29,307	184,750	-
<b>TOTAL COMPONENT UNITS .....</b>	<b>\$ 238,707</b>	<b>\$ 60,725</b>	<b>\$ 188,406</b>	<b>\$ 143</b>
<b>General Revenues:</b>				
Property Taxes .....				
Transient Occupancy Taxes .....				
Sales Taxes .....				
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 .....				
<b>TOTAL GENERAL REVENUES AND TRANSFERS .....</b>				
<b>CHANGE IN NET ASSETS .....</b>				
Net Assets at Beginning of Year .....				
<b>NET ASSETS AT END OF YEAR .....</b>				

<b>Net Revenue/(Expense) and Changes in Net Assets</b>				
<b>Primary Government</b>			<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>San Diego Convention Center Corporation</b>	<b>San Diego Housing Commission</b>
\$ (166,077)	\$ -	\$ (166,077)	\$ -	\$ -
(377,624)	-	(377,624)	-	-
(164,692)	-	(164,692)	-	-
(161,638)	-	(161,638)	-	-
(129,533)	-	(129,533)	-	-
(59,665)	-	(59,665)	-	-
(27,867)	-	(27,867)	-	-
<u>(77,443)</u>	<u>-</u>	<u>(77,443)</u>	<u>-</u>	<u>-</u>
<u>(1,164,539)</u>	<u>-</u>	<u>(1,164,539)</u>	<u>-</u>	<u>-</u>
-	54,865	54,865	-	-
-	33,927	33,927	-	-
-	797	797	-	-
-	2,191	2,191	-	-
-	(6,658)	(6,658)	-	-
-	212	212	-	-
-	<u>(284)</u>	<u>(284)</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>85,050</u>	<u>85,050</u>	<u>-</u>	<u>-</u>
<u>(1,164,539)</u>	<u>85,050</u>	<u>(1,079,489)</u>	<u>-</u>	<u>-</u>
-	-	-	(1,200)	-
-	-	-	-	11,767
-	-	-	<u>(1,200)</u>	<u>11,767</u>
560,577	-	560,577	-	-
140,752	-	140,752	-	-
246,452	-	246,452	-	-
158,797	-	158,797	-	-
14,131	-	14,131	-	-
10,320	-	10,320	-	-
25,488	13,717	39,205	48	7,834
133	-	133	-	-
16,207	12,684	28,891	811	2,076
<u>6,040</u>	<u>(6,040)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,178,897</u>	<u>20,361</u>	<u>1,199,258</u>	<u>859</u>	<u>9,910</u>
14,358	105,411	119,769	(341)	21,677
<u>4,355,045</u>	<u>3,731,389</u>	<u>8,086,434</u>	<u>20,914</u>	<u>382,838</u>
<u>\$ 4,369,403</u>	<u>\$ 3,836,800</u>	<u>\$ 8,206,203</u>	<u>\$ 20,573</u>	<u>\$ 404,515</u>

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

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2011  
(In Thousands)**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Investments .....	\$ 222,352	\$ 1,112,812	\$ 1,335,164
Receivables:			
Taxes - Net of Allowance for Uncollectibles (General Fund \$5,589, Other Governmental \$232) .....	66,170	27,579	93,749
Accounts - Net of Allowance for Uncollectibles (General Fund \$5,615, Other Governmental \$19,740) ...	12,359	97,816	110,175
Claims .....	214	8	222
Special Assessments .....	-	2,061	2,061
Notes .....	-	180,317	180,317
Accrued Interest .....	498	1,754	2,252
Grants .....	1	53,405	53,406
From Other Funds .....	6,510	748	7,258
Interfund Loan Receivable .....	-	32,010	32,010
Advances to Other Funds .....	-	8,784	8,784
Advances to Other Agencies .....	45	5,223	5,268
Land Held for Resale .....	9,403	35,261	44,664
Prepaid Items .....	-	2,744	2,744
Investment in Joint Venture .....	2,055	-	2,055
Restricted Cash and Investments .....	-	171,548	171,548
<b>TOTAL ASSETS .....</b>	<b><u>\$ 319,607</u></b>	<b><u>\$ 1,732,070</u></b>	<b><u>\$ 2,051,677</u></b>
<b>LIABILITIES</b>			
Accounts Payable .....	\$ 16,765	\$ 62,678	\$ 79,443
Accrued Wages and Benefits .....	36,475	638	37,113
Other Accrued Liabilities .....	-	67	67
Due to Other Funds .....	-	7,258	7,258
Due to Other Agencies .....	26	3,353	3,379
Unearned Revenue .....	2,563	36,647	39,210
Deferred Revenue .....	17,661	110,989	128,650
Sundry Trust Liabilities .....	-	3,665	3,665
Advances from Other Funds .....	-	8,784	8,784
Interfund Loan Payable .....	-	35,497	35,497
Contract Deposits .....	369	3	372
<b>TOTAL LIABILITIES .....</b>	<b><u>73,859</u></b>	<b><u>269,579</u></b>	<b><u>343,438</u></b>

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2011  
(In Thousands)**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>FUND EQUITY</b>			
Fund Balances:			
Nonspendable.....	-	21,093	21,093
Restricted.....	145,880	1,378,184	1,524,064
Committed.....	1,183	92,783	93,966
Assigned.....	38,153	-	38,153
Unassigned.....	60,532	(29,569)	30,963
<b>TOTAL FUND EQUITY .....</b>	<b>245,748</b>	<b>1,462,491</b>	<b>1,708,239</b>
<b>TOTAL LIABILITIES AND FUND EQUITY .....</b>	<b>\$ 319,607</b>	<b>\$ 1,732,070</b>	

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	4,395,436
Other assets and liabilities used in governmental activities are not financial resources (uses), and therefore, are either deferred or not reported in the funds.	146,077
Internal Service funds are used by management to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, and Self Insurance to individual funds. The assets and liabilities of certain Internal Service Funds are included in governmental activities in the Statement of Net Assets.	23,594
Certain liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(1,903,943)
Net Assets of governmental activities	\$ 4,369,403

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

**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2011**  
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes .....	\$ 384,023	\$ 184,986	\$ 569,009
Special Assessments .....	-	42,823	42,823
Sales Taxes .....	215,873	16,204	232,077
Transient Occupancy Taxes .....	73,399	66,146	139,545
Other Local Taxes .....	70,994	87,803	158,797
Licenses and Permits .....	28,621	14,047	42,668
Fines, Forfeitures and Penalties .....	31,598	1,758	33,356
Revenue from Use of Money and Property .....	49,923	36,797	86,720
Revenue from Federal Agencies .....	1,431	84,682	86,113
Revenue from Other Agencies .....	8,773	45,855	54,628
Revenue from Private Sources .....	1,016	28,110	29,126
Charges for Current Services .....	181,006	23,776	204,782
Other Revenue .....	4,505	28,302	32,807
<b>TOTAL REVENUES .....</b>	<b>1,051,162</b>	<b>661,289</b>	<b>1,712,451</b>
<b>EXPENDITURES</b>			
Current:			
General Government and Support .....	259,782	80,000	339,782
Public Safety - Police .....	389,811	12,517	402,328
Public Safety - Fire and Life Safety and Homeland Security .....	184,437	26,102	210,539
Parks, Recreation, Culture and Leisure .....	114,375	90,844	205,219
Transportation .....	42,704	72,464	115,168
Sanitation and Health .....	66,320	3,954	70,274
Neighborhood Services .....	25,767	63,059	88,826
Capital Outlay .....	776	141,360	142,136
Debt Service:			
Principal Retirement .....	10,391	104,383	114,774
Cost of Issuance .....	-	1,552	1,552
Interest .....	5,030	68,063	73,093
<b>TOTAL EXPENDITURES .....</b>	<b>1,099,393</b>	<b>664,298</b>	<b>1,763,691</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES .....</b>	<b>(48,231)</b>	<b>(3,009)</b>	<b>(51,240)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Proprietary Funds .....	1,983	5,461	7,444
Transfers from Other Funds .....	158,874	674,265	833,139
Transfers to Proprietary Funds .....	(2,852)	(3,712)	(6,564)
Transfers to Other Funds .....	(22,601)	(810,538)	(833,139)
Proceeds from the Sale of Capital Assets .....	-	782	782
QECCB Lease Issued .....	-	13,142	13,142
Notes Issued .....	-	133	133
Loans Issued .....	-	345	345
Tax Allocation Bonds Issued .....	-	106,400	106,400
Discount on Bonds Issued .....	-	(1,585)	(1,585)
Premium on Bonds Issued .....	-	42	42
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>135,404</b>	<b>(15,265)</b>	<b>120,139</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>87,173</b>	<b>(18,274)</b>	<b>68,899</b>
Fund Balances at Beginning of Year .....	158,575	1,480,765	1,639,340
<b>FUND BALANCES AT END OF YEAR .....</b>	<b>\$ 245,748</b>	<b>\$ 1,462,491</b>	<b>\$ 1,708,239</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  
YEAR ENDED JUNE 30, 2011  
(In Thousands)**

Net change in fund balances - total governmental funds (page 56)	\$ 68,899
<p>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. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
	30,885
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to decrease net assets.</p>	
	(959)
<p>Deferred revenue available to liquidate liabilities of the current period were recognized in the governmental funds during the year; however, such amounts were recognized in the statement of activities in the prior year.</p>	
	(6,251)
<p>The issuance of long-term debt (i.e., 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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
	(29,665)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension obligation), and therefore are not accrued as expenditures in governmental funds.</p>	
	(45,215)
<p>Internal Service funds are used by management to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, Self Insurance, and others to individual funds. The net expense of certain internal service activities is reported with governmental activities.</p>	
	<u>(3,336)</u>
Change in net assets of governmental activities (page 53)	<u>\$ 14,358</u>

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

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2011  
( In Thousands )**

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
<b>ASSETS</b>					
Current Assets:					
Cash and Investments .....	\$ 419,209	\$ 214,550	\$ 120,608	\$ 754,367	\$ 147,084
Receivables:					
Accounts - Net of Allowance for Uncollectibles (Sewer \$872, Water \$1,780, Other Enterprise \$3,542, Internal Service \$735) .....	43,571	66,133	4,783	114,487	9,967
Claims .....	212	222	-	434	-
Accrued Interest .....	1,164	868	285	2,317	12
Grants .....	181	2,596	551	3,328	-
Inventories of Water in Storage .....	-	50,186	-	50,186	-
Inventories .....	-	540	1	541	2,764
Prepaid Expenses .....	-	-	-	-	1,536
<b>Total Current Assets .....</b>	<b>464,337</b>	<b>335,095</b>	<b>126,228</b>	<b>925,660</b>	<b>161,363</b>
Non-Current Assets:					
Restricted Cash and Investments .....	114,499	161,687	51,284	327,470	-
Deferred Charges .....	6,275	6,636	-	12,911	-
Interfund Loan Receivable .....	3,487	-	-	3,487	-
Capital Assets - Non-Depreciable .....	168,524	119,956	22,935	311,415	11,855
Capital Assets - Depreciable .....	2,738,317	1,879,721	57,807	4,675,845	106,909
<b>Total Non-Current Assets .....</b>	<b>3,031,102</b>	<b>2,168,000</b>	<b>132,026</b>	<b>5,331,128</b>	<b>118,764</b>
<b>TOTAL ASSETS .....</b>	<b>3,495,439</b>	<b>2,503,095</b>	<b>258,254</b>	<b>6,256,788</b>	<b>280,127</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable .....	22,135	26,350	3,918	52,403	14,817
Accrued Wages and Benefits .....	13,238	9,645	2,671	25,554	2,380
Interest Accrued on Long-Term Debt .....	7,728	17,617	-	25,345	164
Long-Term Debt Due Within One Year .....	56,594	27,298	1,798	85,690	46,419
Due to Other Agencies .....	698	1,520	-	2,218	-
Unearned Revenue .....	-	539	14,632	15,171	518
Contract Deposits .....	3,722	4,365	16	8,103	130
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable .....	-	5,384	6,135	11,519	-
<b>Total Current Liabilities .....</b>	<b>104,115</b>	<b>92,718</b>	<b>29,170</b>	<b>226,003</b>	<b>64,428</b>
Non-Current Liabilities:					
Deposits/Advances from Others .....	497	-	5,613	6,110	-
Arbitrage Liability .....	-	25	-	25	-
Compensated Absences .....	2,805	2,426	2,202	7,433	3,771
Liability Claims .....	8,662	3,088	-	11,750	169,569
Capital Lease Obligations .....	-	-	-	-	9,422
Loans Payable .....	57,260	27,432	-	84,692	-
Net Revenue Bonds Payable .....	1,152,334	838,837	-	1,991,171	-
Estimated Landfill Closure and Postclosure Care .....	-	-	20,845	20,845	-
Net Other Post Employment Benefit Obligation .....	17,201	16,423	14,537	48,161	7,738
Net Pension Obligation .....	8,639	6,510	8,242	23,391	2,012
<b>Total Non-Current Liabilities .....</b>	<b>1,247,398</b>	<b>894,741</b>	<b>51,439</b>	<b>2,193,578</b>	<b>192,512</b>
<b>TOTAL LIABILITIES .....</b>	<b>1,351,513</b>	<b>987,459</b>	<b>80,609</b>	<b>2,419,581</b>	<b>256,940</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt .....	1,749,107	1,264,939	80,742	3,094,788	102,896
Restricted for Debt Service .....	6,398	4,731	-	11,129	-
Restricted for Closure/Postclosure Maintenance .....	-	-	45,217	45,217	-
Unrestricted .....	388,421	245,966	51,686	686,073	(79,709)
<b>TOTAL NET ASSETS .....</b>	<b>\$ 2,143,926</b>	<b>\$ 1,515,636</b>	<b>\$ 177,645</b>	<b>3,837,207</b>	<b>\$ 23,187</b>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				(407)	
Net assets of Business-Type activities				<u>\$ 3,836,800</u>	

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

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**YEAR ENDED JUNE 30, 2011**  
(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>OPERATING REVENUES</b>					
Sales of Water .....	\$ -	\$ 358,747	\$ -	\$ 358,747	\$ -
Charges for Services .....	354,083	3,789	65,016	422,888	139,438
Revenue from Use of Property .....	181	5,540	-	5,721	-
Usage Fees .....	-	33	44,715	44,748	62,938
Other .....	3,467	3,406	3,314	10,187	1,494
<b>TOTAL OPERATING REVENUES .....</b>	<b>357,731</b>	<b>371,515</b>	<b>113,045</b>	<b>842,291</b>	<b>203,870</b>
<b>OPERATING EXPENSES</b>					
Benefit and Claim Payments .....	-	-	-	-	48,907
Maintenance and Operations .....	134,696	72,027	78,348	285,071	59,941
Cost of Materials Issued .....	-	-	-	-	27,546
Cost of Purchased Water Used .....	-	143,155	-	143,155	-
Taxes .....	-	1,755	-	1,755	-
Administration .....	63,875	65,926	32,600	162,401	54,972
Depreciation .....	63,488	43,054	5,759	112,301	25,981
<b>TOTAL OPERATING EXPENSES .....</b>	<b>262,059</b>	<b>325,917</b>	<b>116,707</b>	<b>704,683</b>	<b>217,347</b>
<b>OPERATING INCOME (LOSS) .....</b>	<b>95,672</b>	<b>45,598</b>	<b>(3,662)</b>	<b>137,608</b>	<b>(13,477)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Earnings on Investments .....	7,454	4,468	1,795	13,717	1,707
Federal Grant Assistance .....	380	203	9	592	-
Other Agency Grant Assistance .....	-	7,028	735	7,763	-
Gain (Loss) on Sale/Retirement of Capital Assets .....	(1,961)	(1,164)	(122)	(3,247)	310
Debt Service Interest Expense .....	(51,112)	(34,490)	-	(85,602)	(844)
Other .....	6,404	3,552	2,728	12,684	758
<b>TOTAL NONOPERATING REVENUES (EXPENSES) .....</b>	<b>(38,835)</b>	<b>(20,403)</b>	<b>5,145</b>	<b>(54,093)</b>	<b>1,931</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS .....</b>	<b>56,837</b>	<b>25,195</b>	<b>1,483</b>	<b>83,515</b>	<b>(11,546)</b>
Capital Contributions .....	12,345	18,011	336	30,692	294
Transfers from Other Funds .....	147	113	77	337	768
Transfers from Governmental Funds .....	-	142	307	449	6,115
Transfers to Other Funds .....	(10)	-	(750)	(760)	(345)
Transfers to Governmental Funds .....	(192)	(222)	(5,652)	(6,066)	(1,378)
<b>CHANGE IN NET ASSETS .....</b>	<b>69,127</b>	<b>43,239</b>	<b>(4,199)</b>	<b>108,167</b>	<b>(6,092)</b>
Net Assets at Beginning of Year .....	2,074,799	1,472,397	181,844		29,279
<b>NET ASSETS AT END OF YEAR .....</b>	<b>\$ 2,143,926</b>	<b>\$ 1,515,636</b>	<b>\$ 177,645</b>		<b>\$ 23,187</b>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				(2,756)	
Change in net assets of Business-Type activities				<u>\$ 105,411</u>	

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

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2011  
( In Thousands )**

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers and Users .....	\$ 366,503	\$ 364,110	\$ 123,196	\$ 853,809	\$ 41,268
Receipts from Interfund Services Provided .....	3,007	6,503	4,800	14,310	162,542
Payments to Suppliers .....	(110,160)	(224,942)	(44,032)	(379,134)	(102,782)
Payments to Employees .....	(81,615)	(72,015)	(54,145)	(207,775)	(89,818)
Payments for Interfund Services Used .....	(6,549)	(5,883)	(6,136)	(18,568)	(1,493)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<b>171,186</b>	<b>67,773</b>	<b>23,683</b>	<b>262,642</b>	<b>9,717</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from Other Funds .....	147	113	77	337	768
Transfers from Governmental Funds .....	-	142	307	449	6,115
Transfers to Other Funds .....	(10)	-	(750)	(760)	(345)
Transfers to Governmental Funds .....	(192)	(222)	(5,652)	(6,066)	(1,378)
Operating Grants Received .....	336	5,797	781	6,914	-
Proceeds from Advances and Deposits .....	-	454	1,481	1,935	-
Payments for Advances and Deposits .....	(33)	-	(1,159)	(1,192)	-
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>248</b>	<b>6,284</b>	<b>(4,915)</b>	<b>1,617</b>	<b>5,160</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from Loans .....	117	12,960	-	13,077	-
Proceeds from Capital Contributions .....	9,611	11,752	493	21,856	-
Acquisition of Capital Assets .....	(93,590)	(75,294)	(4,023)	(172,907)	(25,021)
Proceeds from the Sale of Capital Assets .....	10	231	-	241	1,807
Principal Payments on Capital Leases .....	-	-	-	-	(6,517)
Principal Payments on Loans .....	(4,825)	(940)	-	(5,765)	-
Principal Payments on Revenue Bonds .....	(42,620)	(21,295)	-	(63,915)	-
Interest Paid on Long-Term Debt .....	(61,104)	(40,328)	-	(101,432)	(772)
<b>NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(192,401)</b>	<b>(112,914)</b>	<b>(3,530)</b>	<b>(308,845)</b>	<b>(30,503)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sales of Investments .....	274,380	659,699	-	934,079	-
Purchases of Investments .....	(218,425)	(630,101)	-	(848,526)	-
Interest and Dividends Received on Investments .....	6,506	4,114	1,790	12,410	1,702
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES .....</b>	<b>62,461</b>	<b>33,712</b>	<b>1,790</b>	<b>97,963</b>	<b>1,702</b>
Net Increase (Decrease) in Cash and Cash Equivalents .....	41,494	(5,145)	17,028	53,377	(13,924)
Cash and Cash Equivalents at Beginning of Year .....	380,516	226,975	154,864	762,355	161,008
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b>\$ 422,010</b>	<b>\$ 221,831</b>	<b>\$ 171,892</b>	<b>\$ 815,733</b>	<b>\$ 147,084</b>
<b>Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Assets:</b>					
Cash and Investments .....	\$ 419,209	\$ 214,550	\$ 120,608	\$ 754,367	\$ 147,084
Restricted Cash and Investments .....	114,499	161,687	51,284	327,470	-
Less Investments not meeting the definition of cash equivalents .....	(111,698)	(154,406)	-	(266,104)	-
<b>Total Cash and Cash Equivalents at End of Year .....</b>	<b>\$ 422,010</b>	<b>\$ 221,831</b>	<b>\$ 171,892</b>	<b>\$ 815,733</b>	<b>\$ 147,084</b>

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2011  
( In Thousands )**

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>					
<b>Provided by Operating Activities:</b>					
Operating Income (Loss) .....	\$ 95,672	\$ 45,598	\$ (3,662)	\$ 137,608	\$ (13,477)
<b>Adjustments to Reconcile Operating Income (Loss) to</b>					
<b>Net Cash Provided By Operating Activities:</b>					
Depreciation .....	63,488	43,054	5,759	112,301	25,981
Other Nonoperating Revenue .....	6,404	3,552	2,728	12,684	758
(Increase) Decrease in Assets:					
Accounts Receivable - Net .....	5,192	(4,085)	(4,280)	(3,173)	(1,837)
Claims Receivable - Net .....	93	62	-	155	-
Due from Other Funds .....	-	-	5,385	5,385	372
Inventories .....	-	(11,723)	2	(11,721)	(213)
Prepaid Expenses .....	-	467	-	467	4
Increase (Decrease) in Liabilities:					
Accounts Payable .....	2,448	(16,247)	934	(12,865)	(2,849)
Accrued Wages and Benefits .....	330	3,392	488	4,210	214
Due to Other Funds .....	(24)	(99)	(29)	(152)	(1,000)
Due to Other Agencies .....	-	(2)	-	(2)	-
Unearned Revenue .....	-	(126)	11,525	11,399	516
Contract Deposits .....	89	(305)	(407)	(623)	130
Arbitrage Liability .....	-	25	-	25	-
Compensated Absences .....	(123)	178	119	174	(280)
Liability Claims .....	(7,829)	(1,245)	-	(9,074)	(1,136)
Estimated Landfill Closure and Postclosure Care .....	-	-	719	719	-
Net OPEB Obligation .....	5,371	5,208	4,343	14,922	2,012
Net Pension Obligation .....	75	69	59	203	522
Total Adjustments .....	75,514	22,175	27,345	125,034	23,194
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<b>\$ 171,186</b>	<b>\$ 67,773</b>	<b>\$ 23,683</b>	<b>\$ 262,642</b>	<b>\$ 9,717</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>					
Capital Leases .....	\$ -	\$ -	\$ -	\$ -	\$ 366
Developer Contributed Assets .....	2,734	6,259	-	8,993	294
Increase (Decrease) in Capital Assets related Accounts Payable .....	1,687	(1,113)	(177)	397	-
Noncash Retirement of Capital Assets .....	(1,972)	(1,387)	(122)	(3,481)	(1,497)
Capitalized Interest and Related Amounts .....	7,928	7,918	-	15,846	-
Change in Fair Value of Investments .....	(748)	(246)	-	(994)	-
Interest Fund Credits for Debt Service Payments .....	(2,487)	(518)	-	(3,005)	-

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

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2011**  
**(In Thousands)**

	Pension & Employee Savings Trust	Investment Trust	Agency
<b>ASSETS</b>			
Cash and Investments .....	\$ 1,894	\$ 5,541	\$ 12,522
Cash with Custodian/Fiscal Agent .....	385,726	-	-
Investments at Fair Value:			
Domestic Fixed Income Securities (Bonds) .....	1,330,134	-	-
International Fixed Income Securities (Bonds) .....	252,934	-	-
Domestic Equity Securities (Stocks) .....	1,673,462	-	-
International Equity Securities (Stocks) .....	1,057,038	-	-
Real Estate Equity and Real Estate Securities .....	519,754	-	-
Equity Mutual Funds .....	416,612	-	-
Fixed Income Mutual Funds .....	399,517	-	-
Private Equity .....	87,004	-	-
Receivables:			
Accounts - Net .....	-	-	1,709
Special Assessments .....	-	-	642
Contributions .....	44,812	-	-
Accrued Interest .....	12,304	9	14
Loans .....	36,885	-	-
Securities Sold .....	28,365	-	-
Prepaid Expenses .....	265	-	-
Securities Lending Collateral .....	326,600	-	-
Restricted Cash and Investments .....	-	-	39,308
Capital Assets - Depreciable .....	2,048	-	-
	<b>6,575,354</b>	<b>5,550</b>	<b>\$ 54,195</b>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Accounts Payable .....	35,699	-	\$ 725
Accrued Wages and Benefits .....	858	-	-
Deposits/Advances from Others .....	-	-	129
Sundry Agency Liabilities .....	-	-	20,054
Due to Bondholders .....	-	-	33,287
DROP Liability .....	434,547	-	-
Net Other Post Employment Benefit Obligation .....	1,317	-	-
Net Pension Obligation .....	632	-	-
Securities Lending Obligations .....	326,600	-	-
Securities Purchased .....	151,932	-	-
	<b>951,585</b>	<b>-</b>	<b>\$ 54,195</b>
<b>TOTAL LIABILITIES</b>			
<b>NET ASSETS</b>			
Held in Trust for Pension Benefits and Other Purposes .....	<b>\$ 5,623,769</b>	<b>\$ 5,550</b>	

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

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
Year Ended June 30, 2011  
(In Thousands)

	Pension & Employee Savings Trust	Investment Trust	Total
<b>ADDITIONS</b>			
Employer Contributions .....	\$ 295,908	\$ -	\$ 295,908
Employee Contributions .....	144,419	-	144,419
Retiree Contributions .....	7,694	-	7,694
Contributions to Pooled Investments .....	-	2,776	2,776
Earnings on Investments:			
Investment Income .....	1,166,301	9	1,166,310
Investment Expense .....	<u>(26,015)</u>	<u>-</u>	<u>(26,015)</u>
Net Investment Income .....	<u>1,140,286</u>	<u>9</u>	<u>1,140,295</u>
Securities Lending Income:			
Gross Earnings .....	2,868	-	2,868
Borrower Rebates .....	<u>(1,273)</u>	<u>-</u>	<u>(1,273)</u>
Net Securities Lending Income .....	<u>1,595</u>	<u>-</u>	<u>1,595</u>
Other Income:			
Litigation Proceeds .....	<u>1,507</u>	<u>-</u>	<u>1,507</u>
<b>TOTAL OPERATING ADDITIONS .....</b>	<b><u>1,591,409</u></b>	<b><u>2,785</u></b>	<b><u>1,594,194</u></b>
<b>DEDUCTIONS</b>			
DROP Interest Expense .....	24,878	-	24,878
Benefit and Claim Payments .....	472,845	-	472,845
Distributions from Pooled Investments .....	-	2,040	2,040
Administration .....	<u>15,880</u>	<u>-</u>	<u>15,880</u>
<b>TOTAL OPERATING DEDUCTIONS .....</b>	<b><u>513,603</u></b>	<b><u>2,040</u></b>	<b><u>515,643</u></b>
<b>CHANGE IN NET ASSETS .....</b>	<b>1,077,806</b>	<b>745</b>	<b>1,078,551</b>
Net Assets at Beginning of Year .....	<u>4,545,963</u>	<u>4,805</u>	<u>4,550,768</u>
<b>NET ASSETS AT END OF YEAR .....</b>	<b><u>\$ 5,623,769</u></b>	<b><u>\$ 5,550</u></b>	<b><u>\$ 5,629,319</u></b>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (In Thousands)**

The City of San Diego (the "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 several times. Most recently, changes were made to the City Charter in the municipal primary election on June 8, 2010 and the municipal general election on November 2, 2010. During the primary election, voters approved Proposition C, which expanded the eligibility for veterans preference points for City employment to veterans who have served in any war, major military action or peacekeeping mission, and Proposition D, which made permanent the Strong Mayor form of government, created a ninth City Council district and increased the number of Council votes needed to override a mayoral veto from five to six. During the general election, voters approved Proposition B, which established a good cause requirement for the termination or suspension of Deputy City Attorneys.

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, entities for which the primary government is considered to be financially accountable.

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and as a result, data from these units are combined with data of the primary government (references within this document to "the City" are referring to the primary government). Component units should be included in the reporting entity financial statements using the blending method if either of the following criteria is met:

- i. The component unit's governing body is substantively the same as the governing body of the primary government (the City).
- ii. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it.

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

- Centre City Development Corporation
- City of San Diego/Metropolitan Transit Development Board Authority
- Convention Center Expansion Financing Authority
- Public Facilities Financing Authority
- Redevelopment Agency of the City of San Diego
- San Diego Data Processing Corporation
- San Diego Facilities and Equipment Leasing Corporation
- San Diego Industrial Development Authority
- Southeastern Economic Development Corporation
- San Diego City Employees' Retirement System
- Tobacco Settlement Revenue Funding Corporation
- San Diego Tourism Marketing District



A brief description of each blended component unit follows:

- Centre City Development Corporation, Inc. (CCDC) is a not-for-profit public benefit corporation established in 1975 to administer certain redevelopment projects in downtown San Diego and to provide redevelopment advisory services to the Redevelopment Agency (RDA) of the City of San Diego. The City Council elects the Board of Directors. CCDC's budget and governing board are approved by the Redevelopment Agency of the City of San Diego and services are provided exclusively to the primary government. CCDC is reported as a governmental fund. Financial statements are available at [www.ccdc.com](http://www.ccdc.com).
- The City of San Diego/Metropolitan Transit Development Board Authority (MTDB Authority) is a financing authority which was established in 1988 by the City and the Metropolitan Transit Development Board (now the Metropolitan Transit System or MTS) to acquire and construct mass transit guide ways, public transit systems, and related transportation facilities primarily benefiting the residents of the City of San Diego. The Mayor appoints, with City Council confirmation, two public members and the MTS Board appoints one MTS board member to the governing board of the MTDB Authority. The MTDB Authority primarily provides services to the primary government. The MTDB Authority is reported as a governmental fund.
- The Convention Center Expansion Financing Authority (CCEFA) was established in 1996 by the City and the Port of San Diego 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 Director of the Port of San Diego and a member of the Board of Commissioners for the Port of San Diego. Under the strong mayor form of government, the Mayor may appoint a City Manager and the Chief Operating Officer has been confirmed in this position by the City Council. The CCEFA provides services which primarily benefit the primary government. CCEFA is reported as a governmental fund.
- The Public Facilities Financing Authority (PFFA) was established in 1991 by the City and the RDA to acquire and construct public capital improvements. PFFA is governed by a board of commissioners composed of the City Treasurer, the assistant executive director of the RDA and three members of the public appointed by the Mayor and confirmed by the City Council. PFFA provides services exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.
- The Redevelopment Agency of the City of San Diego (RDA) was established in 1958 in order to provide a method for revitalizing deteriorating and blighted areas of the City and began functioning in 1969 under the authority granted by the community redevelopment law. The City Council is the governing board sitting as the Board of Directors of the RDA, and the RDA is reported as a governmental fund. Complete stand-alone financial statements are available at [www.sandiego.gov](http://www.sandiego.gov).
- San Diego Data Processing Corporation (SDDPC) was formed in 1979 as a not-for-profit public benefit corporation for the purpose of providing data processing services. SDDPC's budget and governing board are approved by the City Council. SDDPC provides services almost exclusively to the primary government. SDDPC is reported as an Internal Service Fund. Financial statements are available at [www.sddpc.org](http://www.sddpc.org).
- 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. The SDFELC is governed by a three member board consisting of the City Attorney, the Chief Financial Officer and the Mayor (as City Manager) and services are provided exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.

- The San Diego Industrial Development Authority (SDIDA) was established in 1983 by the City for the purpose of providing an alternate method of financing to participating parties for economic development purposes. The City Council is the governing board. SDIDA is reported as a governmental fund.
- Southeastern Economic Development Corporation (SEDC) is a not-for-profit public benefit corporation organized in 1980 by the City to administer certain redevelopment projects in southeast San Diego and to perform economic development services in its area of influence. The City Council elects the Board of Directors. SEDC's budget and governing board are approved by the RDA and services are provided exclusively to the primary government. SEDC is reported as a governmental fund. Financial statements are available at [www.sedecinc.org](http://www.sedecinc.org).
- San Diego City Employees' Retirement System (SDCERS) was established in 1927 by the City and administers retirement, post employment healthcare, disability, and death benefits. Currently, SDCERS also administers the San Diego Unified Port District (Port) and the San Diego County Regional Airport Authority (Airport) defined benefit plans.

SDCERS is a legally separate, blended component unit of the City of San Diego. It is managed by a Board of Administration, the majority of which is appointed by the City of San Diego, and a Pension Administrator who does not report to, or work under the direction of the elected officials or appointed managers of the City of San Diego. As such, the City does not maintain direct operational oversight of SDCERS or its financial reports. SDCERS provides services almost exclusively to the primary government.

SDCERS is reported as a pension and employee savings trust fund. Complete stand-alone financial statements are available at [www.sdcers.org](http://www.sdcers.org).

- 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 the Board of Directors which consists of the Chief Operating Officer, the Chief Financial Officer, and one independent director. The independent director shall be appointed by the Mayor or the remaining directors. TSRFC is reported as a governmental fund.
- The San Diego Tourism Marketing District (TMD) is an assessment district created, in fiscal year 2008, by the City on behalf of larger hotel and motel operators within the City. The TMD provides for tourism development, including coordinated joint marketing and promotion of San Diego, in order to maintain and expand the tourism industry. The TMD procedural ordinance establishes a method by which benefited businesses may be assessed for the cost of activities associated with tourism development within their respective area. The governing body of the TMD is the City Council. The TMD is reported as a component of the Acquisition, Improvement and Operations nonmajor governmental fund.

Discretely presented component units, which are also legally separate entities, have financial data reported in a separate column from the financial data of the primary government to demonstrate they are financially and legally separate from the primary government.

There are two entities which are discretely presented component units:

- San Diego Convention Center Corporation (SDCCC)

SDCCC is a not-for-profit public benefit corporation originally organized to market, operate and maintain the San Diego Convention Center. San Diego Theaters Inc. is a non-profit subsidiary of SDCCC created in 2003 to operate the San Diego Civic Theater and the restored Balboa Theater. 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 seven voting

members out of the nine-member Board of Directors of SDCCC. The City subsidizes the annual operations of the SDCCC. SDCCC is discretely presented because it provides services directly to the citizens. Complete stand-alone financial statements are available at [www.sdccc.org](http://www.sdccc.org).

- San Diego Housing Commission (SDHC)

SDHC is a government 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 primarily serves low-income families by providing rental assistance payments, rental housing, loans and grants to individuals and not-for-profit organizations and other services. SDHC is discretely presented because it provides services directly to the citizens. SDHC is governed by the San Diego Housing Authority, which is composed of the eight members of the San Diego City Council. The Housing Authority has final authority over the SDHC's budget and major policy changes. SDHC has three blended component units which are Belden SDHC FNMA LLC, Central SDHC FNMA LLC and Northern SDHC FNMA LLC together and collectively referred to as the "LLCs". The LLCs were created as a requirement of Fannie Mae to obtain financing on the former public housing units and are wholly owned by the San Diego Housing Commission. A portion of the Commission's larger properties were recently leveraged with Federal National Mortgage Association (FNMA) and Federal Housing Association (FHA) loans and are the obligation of the LLCs, not SDHC. Each one of these loans are nonrecourse obligations of the LLCs. Complete stand-alone financial statements are available at [www.sdhc.org](http://www.sdhc.org).

Each blended and discretely presented component unit has a June 30 fiscal year-end.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities normally are 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. Likewise, the primary government is reported discretely from certain legally separate component units 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 is offset by program revenues. Direct expenses are those that are clearly identifiable as 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 not properly included among program revenues are reported instead 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.

The business-type activities and proprietary funds financial statements apply all effective pronouncements of the Governmental Accounting Standards Board ("GASB"). In addition, these statements apply all Accounting Principles Board Opinions ("APBO") and Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989, except those that conflict with GASB pronouncements. The City has elected not to apply all FASB Statements and Interpretations issued after November 30, 1989.

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 charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. General revenues include all taxes and investment income.

**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; other local taxes; franchise fees; fines, forfeitures and penalties; motor vehicle license fees; 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, including parking citations and 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.

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 Assets. Bond premiums, discounts and issuance costs associated with debt issued or refunded during the year are recognized during the current period.

Permanent Funds, also 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 the following programs: Carmel Valley Sewer Maintenance; Mt. Hope Cemetery; North Park Branch Library; Jacaranda Tree planting and maintenance in City rights-of-way; Rancho Bernardo Branch Library; La Jolla/Riford Branch Library; Los Penasquitos Canyon Preserve; Southcrest Oak Estates II landscape maintenance; Sycamore Estates property maintenance; Fortuna Mountain Conservation Bank management within Mission Trails Regional Park; and, the Environmental Trust Bankruptcy Endowment. The corpus of permanent funds is reported as Nonspendable Fund Balance and investment earnings available for expenditure is 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 Assets. The State law governing the spending of endowment funds investment earnings is California Probate Code Section 18504.

**Proprietary funds** distinguish operating revenues and expenses from non-operating 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 non-operating 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 pension and employee savings trust, investment trust, and agency funds. Pension and Employee Savings 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 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 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 and the State Water Project.

The following are the City's other fund types:

Internal Service Funds - These funds account for vehicle and transportation, printing, engineering, data processing, and storeroom services provided to City departments on a cost-reimbursement basis. Internal service funds also account for self-insurance activities, including workers' compensation and long-term disability programs, which derive revenues from rates charged to benefiting departments. This fund type also accounts for the public liability reserve, which was established for the purpose of paying liability claims.

Pension and Employee Savings Trust Funds - These funds account for the San Diego City Employees' Retirement System, the Preservation of Benefits Plan, the Post-Employment Healthcare Benefit Plan, the Supplemental Pension Savings Plan (SPSP), the 401(a) Plan and the 401(k) Plan.

Investment Trust Fund - This fund was established to account for equity that legally separate entities have in the City Treasurer's investment pool. The Abandoned Vehicle Abatement (AVA) is the only legally separate entity which has cash invested in the City Treasurer's investment pool.

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 (the "County") assesses, bills, and collects property taxes on behalf of numerous special districts and incorporated cities, including the City of San Diego. The City's collections of the current year's taxes are received 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 and 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 either on a flat 1% rate applied to the 1975-76 full value of the property or on 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 revenue in the governmental funds. The City provides an allowance for uncollected property taxes of approximately 3% of the outstanding current balance which is analyzed each year against the most recent data from the County. For fiscal year 2011, the allowance amount was \$5,821.

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 will have a negative impact on future tax collections until assessed valuations increase.

e. Cash and Investments

The City's cash and cash equivalents for Statement of Cash Flows purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held by the City Treasurer in a cash management investment pool and reported at fair value. Cash equivalents reported in the Statement of Cash Flows for the Water and Sewer Utilities do not include restricted investments represented as Restricted Cash and Investments with a 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 pool). The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it a 2a7-like pool. 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 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 value of the shares in the pool approximates the fair value of the pool.

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.

It has been the City's policy to allow the General Fund to receive interest earned by certain governmental funds, internal service funds and agency funds, unless otherwise expressly stated in the resolutions creating the individual funds. During the year ended June 30, 2011, approximately \$2,238 interest was assigned from various funds to the General Fund. These transactions caused an increase to the "transfers from other funds" amount for the General Fund and caused a like increase to the "transfer to other funds" amount for the fund disbursing the interest. In the case of negative interest, these transactions caused an increase to the "transfers from other funds" amount for the fund transferring the negative interest and caused a like increase to the "transfer to other funds" amount for the General Fund.

Certain governmental funds maintain investments outside of the City's investment 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 City Treasurer's investment pool.

All City investments are reported at fair value in accordance with the GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Note 3 of the notes to the financial statements contains additional information on permissible investments per the City of San Diego 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. Investment decisions are made on a risk versus return basis in a total portfolio context. 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. Furthermore, under the California State Constitution and other relevant authorities, SDCERS' Board may, at its discretion, and when prudent in the informed opinion of the Board, invest funds in any form or type of investment, financial instrument, or financial transaction, unless otherwise limited by the San Diego City Council. SDCERS' agents, in SDCERS' name, manage all investments.

SDCERS' investments are reported at fair value in the accompanying Statement of Fiduciary Net Assets. SDCERS' custodian, State Street Bank & Trust Company, provides the market values of exchange traded assets. In the case of debt securities acquired through private placements, SDCERS' contract investment advisors compute fair value based on market yields and average maturity dates of comparable quoted securities. Short-term investments are reported at cost or amortized cost, which approximates fair value. Real estate equity investment fair values are based on either annual valuation estimates provided by SDCERS' contract real estate advisors or by independent certified appraisers. Fair value of investments in commingled funds of publicly traded securities are based on the funds' underlying asset values determined from published market prices and quotations from major investment firms.

f. Inventories

Inventories reported in the government-wide financial statements and the proprietary funds financial statements, which consists primarily of water in storage, 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.

g. Land Held for Resale

Land Held for Resale, purchased by the RDA, 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 is reported as restricted fund balance since the proceeds from the sale of such properties is restricted for the purpose of affordable housing or redevelopment activities as codified in the California Health and Safety Code.

Land is originally recorded at historical cost and adjusted to net realizable value when the RDA enters into disposition and development agreements whereby the property will be sold for less than its historical cost, when a property is impaired or when property values decrease due to market conditions.

h. Deferred Charges

In the government-wide and proprietary funds financial statements, Deferred Charges represent the unamortized portion of bond issuance costs. These costs will be amortized over the life of the related bonds using a method which approximates the effective interest method.

i. Notes Receivable

The City's notes receivable are primarily comprised of notes held by the RDA, which provides cash or conveys land to developers in exchange for promissory notes to facilitate the financing of affordable housing and redevelopment projects. Some of the notes are forgivable after a specified period of time if certain requirements are met. These requirements typically relate to income restrictions on affordable housing projects. Other notes are non-forgivable and require repayment in accordance with its corresponding promissory note.

In the case of forgivable notes, the RDA assumes that the developer will comply with the affordable housing covenants, or other restrictions, and that the note will be forgiven. Hence, forgivable notes are expensed/expended at the time the cash is disbursed by the RDA or at the time land is conveyed to the developer. In the event the developer does not meet the restriction requirements, the RDA records a note receivable and recognizes revenue equal to the estimated collectable amount.

Non-forgivable notes receivable are reported as an asset transaction in which cash or land is provided in exchange for a promissory note. As payments on each note are collected, the RDA recognizes revenue for the interest component of each payment, reduces the receivable balance of the note and increases cash for the principal component of the payment. Unless information is available on the uncollectability of a specific note, there is no allowance for uncollectable amounts on non-forgivable notes receivable since these notes are typically secured by real property.

j. Capital Assets

Non-Depreciable Capital Assets, which include land, rights of way, easements, and construction in progress, are reported in the applicable governmental or business-type activities column in the government-wide financial statements, as well as in the proprietary funds financial statements.

Depreciable Capital Assets, which include structures and improvements, equipment, distribution and collection systems, and infrastructure, are reported net of accumulated depreciation/amortization in the applicable governmental or business-type activities column in the government-wide financial statements, as well as in the proprietary funds financial statements. To meet the criteria for capitalization, an asset must have a useful life in excess of one year and in the case of equipment outlay, must equal or exceed a capitalization threshold of five thousand dollars. All other capital assets such as land, structures, infrastructure, and distribution and collection systems are capitalized regardless of cost. Subsequent improvements are capitalized to the extent that they extend the initial estimated useful life of the capitalized asset, or improve the efficiency or capacity of that asset. Costs for routine maintenance are expensed as incurred. Interest expense incurred during the construction phase of business-type capital assets are reflected in the capitalized value of the



asset constructed. During fiscal year 2011, \$15,846 of interest expense incurred was capitalized which is calculated net of related interest revenue of \$1,584.

Capital assets, when purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair value on the date of donation. Depreciation/amortization of capital assets is computed using the straight-line method over the estimated useful life of the asset as follows:

<u>Assets</u>	<u>Years</u>
Structures and Improvements	
Buildings	40 - 50
Building Improvements	15 - 40
Equipment	
Automobiles and Light Trucks	5 - 10
Construction and Maintenance Vehicles	5 - 20
General Machinery and Office Equipment	3 - 30
Intangible Assets	5 - 20
Distribution and Collection Systems	
Sewer Pipes and Water Mains	15 - 150
Reservoirs	100 - 150
Infrastructure	
Pavement and Traffic Signals	12 - 50
Bridges	75
Hardscape	20 - 50
Flood Control Assets	40 - 75

k. Unearned/Deferred Revenue

In the government-wide and all fund level financial statements, unearned revenue represents amounts received which have not been earned. The government-wide financial statements include revenues earned from developer credits, which are not reported in the governmental funds because they are non-monetary transactions. In the governmental funds financial statements, deferred revenue represents revenues which have been earned but have not met the recognition criteria based on the modified accrual basis of accounting.

l. Interfund Transactions

The City has the following types of interfund transactions:

**Loans** – 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** – 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. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

**Reimbursements** – 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** – 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 non-operating revenues and expenses.

m. Long-Term Liabilities

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statements of net assets. Capital appreciation bond accretion, bond premiums and discounts are amortized over the life of the bonds using a method which approximates the effective interest method and deferred amounts on refunding are amortized over the shorter of the life of the refunded or refunding bonds. Net bonds payable reflects amortized bond accretion and unamortized bond discounts, premiums and deferred amounts on refunding.

n. Sundry Trust Liabilities

Under approval of certain agreements, developers submit to the RDA an initial deposit to ensure the developer proceeds diligently and in good faith to negotiate and perform all of the obligations under the agreement. These deposits can normally be used for administrative costs incurred by the RDA. In the government-wide financial statements and in the fund financial statements, the unspent portion of these deposits, called Sundry Trust Liabilities, are reported as liabilities of the RDA.

o. 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 fund financial statements consists of unpaid, accumulated vacation and sick leave 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). 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.

p. Claims and Judgments

The costs of claims and judgments are accrued when incurred and measurable in the government-wide financial statements and both 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.

q. 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. Historically, the City has agreed to pay a pro rata share

of these assets. In lieu of providing direct funding for these assets, the City often provides developers with credits (also referred to as FBA 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.

r. Net Assets

In the government-wide and proprietary funds financial statements, net assets are categorized as follows:

- Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets.
- Restricted Net Assets consist of assets with restrictions imposed on them by external creditors, grantors, contributors, laws and regulations of other governments, or law through constitutional provisions or enabling legislation. It is the City's policy to first apply restricted resources when an expense is incurred for purposes which both restricted and unrestricted net assets are available. As of June 30, 2011, the amount of restricted net assets due to enabling legislation was approximately \$150,847.
- Unrestricted Net Assets consist of net assets that do not meet the definition of Invested in Capital Assets, Net of Related Debt or Restricted Net Assets.

s. 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 honor constraints on how resources can be spent.

- 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 determined by formal action of the City's highest level of decision making authority (City Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation must occur prior to the close of the reporting period; however, the amount which will be subject to the constraint may be determined in a subsequent period.
- Assigned fund balance – amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making authority or by a body or an official designated for that purpose. This fund balance classification also represents the residual balance for all funds other than the General Fund.
- 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.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an

ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

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.

t. Reserves

City Charter Section 91 requires the City Council to maintain a General Reserve Fund in an amount sufficient to meet all legal demands against the City Treasury for the first four months or other necessary period of each fiscal year prior to the collection of taxes. This fund may be expended only in the event of a public emergency by the affirmative vote of two-thirds of the City Council.

The City's formal reserve policy, which was adopted in fiscal year 2008 and subsequently amended in December 2011, was created in accordance with Charter Section 91 and defines the General Fund Reserve. The General Fund Reserve includes the General Reserve Fund (or Emergency Reserve), the appropriated reserve and the General Fund unassigned fund balance. The reserve policy defines a goal of having a minimum of 8% of annual General Fund revenues held in the General Fund Reserve by fiscal year 2012. This reserve level was achieved in fiscal year 2010 and maintained through fiscal year 2011.

u. Participating Agencies Revenue Recognition

The Regional Wastewater Disposal Agreement between the City and the Participating Agencies (PA) in the Metropolitan Sewerage System allow 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 Assets.

v. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosure of contingent assets and liabilities, and the related amounts of revenues and expenses. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

w. New Governmental Accounting Standards Implemented During Year Ended June 30, 2011

The requirements for the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2011.

In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer direction for fund balance classification through the use of a universal hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This universal hierarchy allows for greater consistency when identifying fund balance classifications. Additionally, this statement clarifies existing governmental fund type definitions.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools by providing more complete and consistent information.

## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (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 Assets:

The Governmental Funds Balance Sheet includes a reconciliation between "Total Fund Balances-Governmental Funds" and "Total Net Assets-Governmental Activities" as reported in the Government-wide Statement of Net Assets. One element of the reconciliation states, "Other assets and liabilities used in governmental activities are not financial resources (uses), and therefore, are either deferred or not reported in the funds." The details of this \$146,077 difference are as follows:

Deferred Charges, July 1, 2010	\$ 16,909
Issuance Costs	1,552
Amortization Expense	<u>(1,034)</u>
Deferred Charges, June 30, 2011	<u>17,427</u>
Deferred Revenue:	
Taxes Receivable	77,535
Notes Receivable	3,420
Motor Vehicle License Receivable	681
Special Assessments Receivable	402
Grants and Other Receivables	<u>46,612</u>
Deferred Revenue, June 30, 2011	<u>128,650</u>
Net Adjustment to increase "Total Fund Balances-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities"	<u>\$ 146,077</u>

Another element of the reconciliation states: "Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this (\$1,903,943) difference are as follows:

Interest Accrued on Long-Term Debt	\$ (21,686)
Arbitrage Liability	(3)
Compensated Absences	(65,967)
Liability Claims	(107,764)
Capital Lease Obligations	(52,150)
QECCB Lease Obligation	(13,142)
Contracts Payable	(24,419)
Loans Payable	(36,621)
Section 108 Loans Payable	(16,342)
Net Bonds Payable	(1,272,175)
Accretion of Interest on Capital Appreciation Bonds	(18,386)
Net Other Post Employment Benefits Obligation	(160,081)
Net Pension Obligation	<u>(115,207)</u>
Net adjustment to decrease "Total Fund Balances-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities"	<u>\$ (1,903,943)</u>

Another element of the reconciliation states: "Internal Service Funds are used by management to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services and Self Insurance to individual funds. The assets and liabilities of certain Internal Service Funds are included in the governmental activities in the Statement of Net Assets." The details of this \$23,594 difference are as follows:

Assets:	
Capital Assets - Non Depreciable	\$ 11,855
Capital Assets - Depreciable	106,909
Internal Balances	407
Current Assets	161,363
Liabilities:	
Compensated Absences	(7,485)
Liability Claims	(205,828)
Capital Lease Obligations	(15,868)
Net Other Post Employment Benefits Obligation	(7,738)
Net Pension Obligation	(2,012)
Other Liabilities	<u>(18,009)</u>
Net adjustment to increase "Total Fund Balances-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities"	<u>\$ 23,594</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-Total Governmental Funds" and "Changes in Net Assets 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." The details of this \$30,885 difference are as follows:

Capital Outlay	\$ 142,136
Other Capital Activities	16,091
Depreciation Expense	<u>(127,342)</u>
Net Adjustment to increase "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	<u>\$ 30,885</u>

Another element of the reconciliation states: "The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to decrease net assets." The details of this (\$959) are as follows:

In the Statement of Activities, only the net gain on the sale of land is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the net book value of the capital assets sold/retired.	\$ (303)
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The Statement of Activities reports losses arising from the retirement of existing depreciable capital assets. Conversely, governmental funds do not report any gain or loss on retirements of capital assets.	<u>(656)</u>
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Net adjustment to decrease "Net Change in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	<u><u>\$ (959)</u></u>
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Another element of the reconciliation states: "Internal Service Funds are used by management to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, Self Insurance, and others to individual funds. The net expense of certain Internal Service activities is reported with governmental activities." The details of this (\$3,336) are as follows:

Allocated Operating Profit	\$ (10,721)
Nonoperating Revenues (Expenses):	
Other Nonoperating Revenues	1,931
Transfers	5,160
Capital Contributions	<u>294</u>

Net adjustment to decrease "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	<u><u>\$ (3,336)</u></u>
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Another element of the reconciliation states: "The issuance of long-term debt (i.e., 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 assets." The details of this (\$29,665) difference are as follows:

Debt Issued or Incurred:	
QECB Lease Obligation	\$ (13,142)
Contracts/Notes Payable	(24,552)
Loans Payable	(345)
Tax Allocation Bonds	(106,400)
Principal Repayments:	
Capital Lease Obligations	10,391
Contracts/Notes Payable	4,452
Loans Payable	43,119
Section 108 Loans	15,154
General Obligation Bonds	2,100
Revenue Bonds	15,710
Tax Allocation Bonds	20,328
Tobacco Settlement Asset-Backed Bonds	2,750
Pooled Financing Bonds	<u>770</u>
Net adjustment to decrease "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	<u>\$ (29,665)</u>

Another element of the reconciliation states: "Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension obligation) and therefore are not accrued as expenditures in governmental funds." The details of this (\$45,215) difference are as follows:

Compensated Absences	\$ (300)
Liability Claims	4,185
Net Pension Obligation/Net OPEB Obligation	(47,655)
Accrued Interest	(1,635)
Current Year Premiums/Discounts and Interest Accretion	
Less Amortization of Bond Premiums	(328)
Issuance Costs Less Current Year Amortization	<u>518</u>
Net adjustment to decrease "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	<u>\$ (45,215)</u>



### 3. CASH AND INVESTMENTS (In Thousands)

The following is a summary of the carrying amount of cash and investments as of June 30, 2011:

	Governmental Activities	Business-Type Activities	Fiduciary Statement of Net Assets other than SDCERS	Subtotal	SDCERS Fiduciary Statement of Net Assets	Grand Total
Cash and Cash or Equity in						
Pooled Cash and Investments	\$ 1,377,518	\$ 815,727	\$ 28,731	\$ 2,221,976	\$ 944	\$ 2,222,920
Cash and Investments with Fiscal Agents	156,529	163,305	29,592	349,426	385,723	735,149
Investments at Fair Value	119,749	102,805	816,130	1,038,684	4,920,326	5,959,010
Securities Lending Collateral	-	-	-	-	326,600	326,600
Total	<u>\$ 1,653,796</u>	<u>\$ 1,081,837</u>	<u>\$ 874,453</u>	<u>\$ 3,610,086</u>	<u>\$ 5,633,593</u>	<u>\$ 9,243,679</u>

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

Cash and Cash or Equity in Pooled Cash and Investments represents petty cash, cash at the bank in demand deposit and/or savings accounts, and cash in escrow for contract retention payables. 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 and Cash or Equity in Pooled Cash and Investments.

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

Cash on Hand - Petty Cash	\$ 203
Deposits - Held in Escrow Accounts	6,676
Deposits - Cash and Cash Equivalents (Not Pooled)	1,874
Deposits - Cash, Cash Equivalents, and Certificates of Deposit (Pooled)	11,600
Pooled Investments in the City Treasury	2,201,623
Total Cash and Cash or Equity in Pooled Cash and Investments	<u>\$ 2,221,976</u>

A summary of the deposits and investments held by the City Treasurer's investment pool as of June 30, 2011 is presented in the table below:

Investment	Fair Value	Book Value	Interest Rate % Range	Maturity Range
U.S. Treasury Notes	\$ 1,002,272	\$ 995,166	0.375-1.875%	3/15/2012-6/15/2014
U.S. Agency Discount Notes	56,055	56,021	0.18-0.20% *	7/18/2011-5/25/2012
U.S. Agency Notes & Bonds	651,266	648,632	0.15-2.25%	8/4/2011-7/30/2014
Commercial Paper	169,922	169,881	0.04-0.29%	7/1/2011-11/25/2011
Corporate Notes & Bonds	222,798	222,165	0.75-6.375%	7/12/2011-5/19/2014
Local Agency Investment Fund (LAIF)	49,353	49,276	0.51% **	2/23/2012
Negotiable Certificates of Deposit	49,957	50,000	0.262-0.38%	7/8/2011-6/7/2012
Certificates of Deposit (CDARS)	10,000	10,000	1.25%	2/16/2012
	\$ 2,211,623	\$ 2,201,141		

\* Discount Rates

\*\* LAIF - Fair Value is adjusted to account for LAIF factor. Maturity range is based on weighted average maturity of 238 days.

The following represents a condensed statement of net assets and changes in net assets for the City Treasurer's cash and investment pool as of June 30, 2011:

#### Statement of Net Assets

Deposit - Cash, Cash Equivalents, and Certificates of Deposit (Pooled)	\$ 11,600
Investments of Pool Participants	2,201,623
Accrued Interest Receivable of Internal Pool Participants	3,371
Accrued Interest Receivable of External Pool Participants	9
Total Cash, Investments, and Interest Receivable	\$ 2,216,603
Equity of Internal Pool Participants	\$ 2,211,053
Equity of External Pool Participants (Abandoned Vehicle Abatement) ***	5,550
Total Equity	\$ 2,216,603

\*\*\*Voluntary Participation

#### Statement of Changes in Net Assets

Net Assets Held for Pool Participants at July 1, 2010	\$ 2,128,638
Net Change in Investments by Pool Participants	87,965
Total Net Assets Held for Pool Participants at June 30, 2011	\$ 2,216,603

#### b. Cash and Investments with Fiscal Agents

Cash and Investments with Fiscal Agents include cash and investments held by fiscal agents resulting from bond issuances. More specifically, these funds represent reserves held by fiscal agents or trustees as legally required by bond issuances and liquid investments held by fiscal agents or trustees which are used to pay debt service. Under the Fiduciary Statement of Net Assets, Cash and Investments with Fiscal Agents include the City's balance for the Preservation of Benefit 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 and Investments with Fiscal Agents include the San Diego City Employees' Retirement System (SDCERS) portion of funds held as cash collateral from market neutral portfolios (domestic fixed income

investment strategy). Furthermore, it represents transaction settlements, held in each investment manager’s portfolio, which are invested overnight by SDCERS’ custodial bank.

c. Investments at Fair Value

Investments at Fair Value represents investments of the City’s Supplemental Pension Savings Plan, 401(k) Plan, 401(a) Plan, San Diego City Employees’ Retirement System (SDCERS), investments managed by the City Treasurer (which are not part of the pool) and investments managed by the Funds Commission (e.g. Cemetery Perpetuity Fund, Los Penasquitos Canyon Preserve Fund, and the Edwin A. Benjamin, Jane Cameron, Gladys Edna Peters, and Effie Sergeant Library Funds).

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 (Policy) which is presented to Council annually. This 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 trust funds (which are placed in the custody of the Funds Commission by Council ordinance).

City staff reviews the 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 of San Diego. The City Council reviews the Policy and considers acceptance on an annual basis.

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

Investment Type	Maximum Maturity (1)		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating (7)	
	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
Bankers’ Acceptances (6)	180 days	180 days	40%	40%	30%	10%	None	(3)
Commercial Paper (6)	270 days	270 days	25%	25%	10%	10%	P1	P1
Negotiable Certificates (6)	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 (4)	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 (6)	5 years	5 years	30%	25%	None	10%	None	(3)
Medium Term Notes/Bonds (6)	5 years	5 years	30%	30%	None	10%	A	A
Municipal Securities of California Local Agencies (6)	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 Pass-Through Securities	5 years	5 years	20%	20%	None	None	AA	AAA
Financial Futures (5)	N/A	None	None	None	None	None	None	None

Footnotes:

- (1) In the absence of a specified maximum, the maximum is 5 years.
- (2) 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.
- (3) Credit and maturity criteria must be in accordance with Section X of the City’s Investment Policy.
- (4) Maximum % of portfolio for Reverse Repurchase Agreements is 20% of base value.
- (5) Financial futures transactions would be purchased only to hedge against changes in market conditions for the reinvestment of bond proceeds.
- (6) 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.
- (7) Minimum credit rating categories include modifications (+/-).

According to the 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 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. 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 City of San Diego City Treasurer's Investment Policy is available at [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 City of San Diego City Treasurer's Investment Policy, but may include certain investment options not authorized by applicable law for the City of San Diego City Treasurer's Policy (CGC §53601). Individual bond indentures are available at [www.sandiego.gov/investorinformation/terms.shtml](http://www.sandiego.gov/investorinformation/terms.shtml).

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

#### **e. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Market or interest rate risk for the City's pooled investments 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 Section 53646). The liquidity portfolio uses the Bank of America Merrill Lynch 3-6 month Treasury Index as a benchmark with a duration of plus or minus 40% of the duration of that benchmark.

The core portfolio uses the Bank of America Merrill Lynch 1-3 year Treasury Index as a benchmark with a duration of plus or minus 20% of the duration of that 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 next page.

As of June 30, 2011, the City's investments (in thousands) by maturity are as follows:

	Years				Fair Value (In Thousands)
	Under 1	1-3	3-5	Over 5	
<u>Pooled Investments with City Treasurer:</u>					
U.S. Treasury Notes	\$ 136,061	\$ 866,211	\$ -	\$ -	\$ 1,002,272
U.S. Agencies - Federal Farm Credit Bank	72,640	71,058	-	-	143,698
U.S. Agencies - Federal Home Loan Bank	190,299	55,323	-	-	245,622
U.S. Agencies - Federal Home Loan Mortgage Corporation	74,033	80,028	24,969	-	179,030
U.S. Agencies - Federal National Mortgage Association	58,805	60,166	-	-	118,971
U.S. Agencies - National Credit Union Association Notes	-	20,000	-	-	20,000
Commercial Paper	169,922	-	-	-	169,922
Corporate Notes	163,248	59,550	-	-	222,798
Negotiable Certificates of Deposit	49,957	-	-	-	49,957
Non-Negotiable Certificate of Deposit (CDARS deposit)	10,000	-	-	-	10,000
State Local Agency Investment Fund	49,353	-	-	-	49,353
	<u>974,318</u>	<u>1,212,336</u>	<u>24,969</u>	<u>-</u>	<u>2,211,623</u>
<u>Non-Pooled Investments with City Treasurer:</u>					
U.S. Treasury Bills	26,078	-	-	-	26,078
U.S. Treasury Notes	60,282	-	-	-	60,282
U.S. Agencies - Federal Home Loan Bank	15,348	-	-	-	15,348
U.S. Agencies - Federal Home Loan Mortgage Corporation	29,609	-	-	-	29,609
U.S. Agencies - Federal National Mortgage Association	51,120	-	-	-	51,120
Commercial Paper	17,998	-	-	-	17,998
Corporate Notes	1,665	-	-	-	1,665
	<u>202,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,100</u>
<u>Investments with Fiscal Agents, Funds Commission, and Blended Component Units:</u>					
U.S. Treasury Bills	14,518	-	-	-	14,518
U.S. Treasury Bonds and Notes	36,811	7,396	49,171	29,730	123,108
U.S. Agencies - Federal Home Loan Bank	1,707	-	-	-	1,707
U.S. Agencies - Federal Home Loan Mortgage Corporation	11,754	-	-	-	11,754
U.S. Agencies - Federal National Mortgage Association	10,769	6,527	-	-	17,296
Commercial Paper	8,236	-	-	-	8,236
Common Stock <sup>1</sup>	3,186	-	-	-	3,186
Corporate Bonds and Notes	29,150	38,870	555	3,005	71,580
Exchange Traded Funds <sup>1</sup>	806	-	-	-	806
Government Mortgage Backed Securities	-	-	-	19	19
Guaranteed Investment Contracts	-	-	-	13,703	13,703
Money Market Mutual Funds	92,975	-	-	-	92,975
Mutual Funds - Equity <sup>1</sup>	421,686	-	-	-	421,686
Mutual Funds - Fixed Income	-	399,079	-	3,223	402,302
Repurchase Agreements	2,550	-	-	-	2,550
Cash (with Fiscal Agents)	584	-	-	-	584
	<u>634,732</u>	<u>451,872</u>	<u>49,726</u>	<u>49,680</u>	<u>1,186,010</u>
Total Investments	\$ 1,811,150	\$ 1,664,208	\$ 74,695	\$ 49,680	3,599,733
Total Deposits					10,150
Total Cash on Hand					203
Total Investments, Deposits, and Cash on Hand					<u>\$ 3,610,086</u>

<sup>1</sup> Common stock, exchange traded funds, and equity mutual funds do not have maturities.

f. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2011, the City's investments and corresponding credit ratings are as follows:

<u>Pooled Investments with City Treasurer:</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fair Value</u>	<u>Percentage</u>
U.S. Treasury Notes	Exempt	Exempt	\$ 1,002,272	45.33%
U.S. Agencies - Federal Farm Credit Bank <sup>1</sup>	Aaa	N/A	131,214	5.93%
U.S. Agencies - Federal Farm Credit Bank <sup>1</sup>	P-1	N/A	12,484	0.56%
U.S. Agencies - Federal Home Loan Bank <sup>1</sup>	Aaa	N/A	245,622	11.11%
U.S. Agencies - Federal Home Loan Mortgage Corporation <sup>1</sup>	Aaa	N/A	154,030	6.96%
U.S. Agencies - Federal Home Loan Mortgage Corporation <sup>1</sup>	P-1	N/A	25,000	1.13%
U.S. Agencies - Federal National Mortgage Association <sup>1</sup>	Aaa	N/A	100,400	4.54%
U.S. Agencies - Federal National Mortgage Association <sup>1</sup>	P-1	N/A	18,571	0.84%
U.S. Agencies - National Credit Union Association Notes	Aaa	N/A	20,000	0.90%
Commercial Paper	P-1	N/A	169,922	7.68%
Corporate Notes	Aaa	N/A	111,237	5.03%
Corporate Notes	Aa1	N/A	5,105	0.23%
Corporate Notes	Aa2	N/A	55,660	2.52%
Corporate Notes	Aa3	N/A	25,362	1.15%
Corporate Notes	A1	N/A	5,036	0.23%
Corporate Notes	A2	N/A	20,398	0.92%
Negotiable Certificates of Deposit	P-1	N/A	25,002	1.13%
Negotiable Certificates of Deposit	Aa1	N/A	24,955	1.13%
Non-Negotiable Certificates of Deposit (CDARS deposit)	Not Rated	Not Rated	10,000	0.45%
State Local Agency Investment Fund	Not Rated	Not Rated	49,353	2.23%
Subtotal - Pooled Investments			<u>2,211,623</u>	<u>100.00%</u>
<u>Non-Pooled Investments with City Treasurer:</u>				
U.S. Treasury Bills	Exempt	Exempt	26,078	12.89%
U.S. Treasury Notes	Exempt	Exempt	60,282	29.84%
U.S. Agencies - Federal Home Loan Bank <sup>1</sup>	Aaa	N/A	4,843	2.40%
U.S. Agencies - Federal Home Loan Bank <sup>1</sup>	P-1	N/A	10,505	5.19%
U.S. Agencies - Federal Home Loan Mortgage Corporation <sup>1</sup>	Aaa	N/A	2,291	1.14%
U.S. Agencies - Federal Home Loan Mortgage Corporation <sup>1</sup>	P-1	N/A	27,318	13.52%
U.S. Agencies - Federal National Mortgage Association <sup>1</sup>	Aaa	N/A	1,151	0.57%
U.S. Agencies - Federal National Mortgage Association <sup>1</sup>	P-1	N/A	49,969	24.72%
Commercial Paper	P-1	N/A	17,998	8.91%
Corporate Notes	Aaa	AAA	1,665	0.82%
Subtotal - Non-Pooled Investments			<u>202,100</u>	<u>100.00%</u>

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

"N/A" - S&P rating not applicable, Moody's rating provided.

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

<u>Investments with Fiscal Agents, Funds Commission, and Blended Component Units:</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fair Value</u>	<u>Percentage</u>
U.S. Treasury Bills	Exempt	Exempt	\$ 14,518	1.22%
U.S. Treasury Bonds and Notes	Exempt	Exempt	123,108	10.38%
U.S. Agencies - Federal Home Loan Bank	P-1	N/A	1,707	0.14%
U.S. Agencies - Federal Home Loan Mortgage Corporation	P-1	N/A	11,754	0.99%
U.S. Agencies - Federal National Mortgage Association	Aaa	N/A	6,527	0.55%
U.S. Agencies - Federal National Mortgage Association	P-1	N/A	10,769	0.91%
Commercial Paper	P-1	N/A	8,236	0.69%
Common Stock	N/A	N/A	3,186	0.27%
Corporate Bonds and Notes	Aaa	N/A	66,853	5.63%
Corporate Bonds and Notes	Aa1	N/A	210	0.02%
Corporate Bonds and Notes	Aa2	N/A	342	0.03%
Corporate Bonds and Notes	Aa3	N/A	226	0.02%
Corporate Bonds and Notes	A1	N/A	685	0.06%
Corporate Bonds and Notes	A2	N/A	3,054	0.26%
Corporate Bonds and Notes	A3	N/A	107	0.01%
Corporate Bonds and Notes	WR <sup>2</sup>	A-	103	0.01%
Exchange Traded Funds	N/A	N/A	806	0.07%
Government Mortgage Backed Securities	Not Rated	Not Rated	19	0.01%
Guaranteed Investment Contracts	Not Rated	Not Rated	13,703	1.16%
Money Market Mutual Funds	Aaa	N/A	92,975	7.84%
Mutual Funds - Equity	N/A	N/A	421,686	35.54%
Mutual Funds - Fixed Income	Not Rated	Not Rated	402,302	33.92%
Repurchase Agreements	Not Rated	Not Rated	2,550	0.22%
Cash (with Fiscal Agents)	Not Rated	Not Rated	584	0.05%
Subtotal - Other Investments			<u>1,186,010</u>	<u>100.00%</u>
Total Investments			3,599,733	
Total Deposits			10,150	
Total Cash on Hand			203	
Total Investments, Deposits, and Cash on Hand			<u>\$ 3,610,086</u>	

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

"N/A" - S&P rating not applicable, Moody's rating provided.

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

<sup>2</sup> Rating withdrawn for reasons including: debt maturity, calls, puts, conversions, etc.

### *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, 2011, the City exceeded the 5% limit of total investments for issuers of various U.S. Agencies. Investments exceeding the 5% limit are referenced in the credit ratings table above. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are exempt.

g. Custodial Credit Risk*Deposits*

At June 30, 2011, the carrying amount of the City's cash deposits was approximately \$13,474, and the bank balance was approximately \$26,636; the difference is substantially due to outstanding checks. For the balance of cash deposits in financial institutions, approximately \$10,893 was covered by federal depository insurance and approximately \$15,743 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, \$14,683 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 is exposed to custodial credit risk for the remaining \$1,060, which is uninsured and uncollateralized. The amount subject to custodial credit risk represents \$1,060 in deposits with the San Diego Data Processing Corporation.

The City also has deposits held in escrow accounts with a carrying amount and bank balance of approximately \$6,676. For the balance of deposits in escrow accounts, approximately \$1,813 was covered by federal depository insurance. The remaining balance of \$4,863 was uninsured. Pursuant to the California Government Code, California banks and savings and loans associations are required to secure the City's deposits in excess of insurance by pledging government securities as collateral. As such, \$4,863 of the City's deposits in escrow accounts are collateralized and pledged at 110%.

*Investments*

The City's investments at June 30, 2011 are categorized as described below:

- Category 1: Insured or registered, with securities held by the City or its agent in the City's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.
- Non-Categorized: Includes investments made directly with another party, real estate, direct investments in mortgages and other loans, open-end mutual funds, pools managed by other governments, annuity contracts, and guaranteed investment contracts.

At June 30, 2011, the City had investments exposed to custodial credit risk. Investments within the Cemetery Perpetuity Fund's portfolio were held by Northern Trust Bank, and were not in the City's name. The following summarizes the investment types and amounts that are exposed to custodial credit risk and are classified as Category 3:

<u>Investment Type</u>	<u>Fair Value</u>
Common Stock	\$ 3,098
Corporate Bonds and Notes	4,727
Exchange Traded Funds	806
Government Mortgage Backed Securities	19
U.S. Treasury Bonds and Notes	926
Total	<u>\$ 9,576</u>



h. Restricted Cash and Investments

Cash and investments at June 30, 2011 that are restricted by legal or contractual requirements are comprised of the following:

<u>Nonmajor Governmental Funds</u>	
Debt Service	\$ 152,575
Permanent Endowments	18,973
Total Nonmajor Governmental Funds	<u>171,548</u>
<u>Nonmajor Enterprise Funds</u>	
Environmental Services Fund - Funds set aside for landfill site closure and maintenance costs	45,149
Recycling Enterprise Fund - Customer deposits	6,135
Total Nonmajor Enterprise Funds	<u>51,284</u>
<u>Water Utility Enterprise Fund</u>	
Customer Deposits	5,553
Interest and Redemption Funds	156,134
Total Water Utility Enterprise Fund	<u>161,687</u>
<u>Sewer Utility Enterprise Fund</u>	
Interest and Redemption Funds	114,499
<u>Miscellaneous Agency Funds</u>	
Special Assessment Funds and Retention Held in Escrow Accounts	39,308
Total Restricted Cash and Investments	<u>\$ 538,326</u>

**Summary of Total Cash and Investments**

Total Unrestricted Cash and Investments	\$ 8,705,353
Total Restricted Cash and Investments	538,326
Total Cash and Investments	<u>\$ 9,243,679</u>
Total Governmental Activities	\$ 1,653,796
Total Business-Type Activities	1,081,837
Total Fiduciary Activities	6,508,046
Total Cash and Investments	<u>\$ 9,243,679</u>

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

*Narratives and tables presented in the following sections (i. through s.) are taken directly from the comprehensive annual financial report of the San Diego City Employees' Retirement System, as of June 30, 2011, issued December 5, 2011.*

#### Summary of Cash and Investments – San Diego City Employees' Retirement System

Cash or Deposit with Wells Fargo Bank	\$ 944
Cash and Cash Equivalents on Deposit with Custodial Bank and Fiscal Agents	385,723
Investments at Fair Value:	
Domestic Fixed Income Securities	1,330,134
International Fixed Income Securities	252,934
Domestic Equity Securities	1,673,462
International Equity Securities	1,057,038
Real Estate	519,754
Private Equity	87,004
Securities Lending Cash Collateral	<u>326,600</u>
Total Cash and Investments for SDCERS	<u>\$ 5,633,593</u>

#### i. 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 any securities that are allowed by general law for savings banks. The Board may also invest in additional investments as approved by resolution of the San Diego City Council. These investments include bonds, notes or other obligations, real estate investments, common stock, preferred stock, private equity 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 market value each day and must be settled at expiration date. Changes in the market value of the contracts results in the recognition of a gain or loss under GASB Statement No. 25.

Investment earnings are recorded in accordance with GASB Statement No. 25. 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/custodial fees and all other significant investment-related costs). SDCERS had current year realized gains that totaled \$685,100 for the year ended June 30, 2011. Pursuant to the San Diego Municipal Code, realized gains and losses determine whether certain contingent benefits will be paid each fiscal year.

Through its investment objectives and policies, the Board has placed considerable importance on both generating a reasonable rate of return above inflation and on the preservation of capital. Investments are made only after the risk/reward trade-offs are clearly understood.

SDCERS' investment portfolio includes fixed income strategies to diversify the investment portfolio. The percentage allocated to these strategies is based on efficient model portfolios developed from an annual asset

allocation study. The returns of fixed income strategies vary less than equity returns. SDCERS' target asset allocation policy is reviewed each year to reflect changes in capital market assumptions. SDCERS' long term target allocation to fixed income strategies as of June 30, 2011 was 25%, which includes domestic fixed income and emerging market debt. As of June 30, 2011, SDCERS' target allocation to fixed income was 29%, as it included a 4% allocation to non-U.S. fixed income, which was subsequently terminated. The fixed income allocation is externally managed and is comprised as follows: 22% to core domestic fixed income (benchmarked to the Barclays Capital Aggregate Bond Index), 4% to non-U.S. fixed income (benchmarked to the Citigroup Non-U.S. Government Bond Index), and 3% to emerging market debt (benchmarked to the 50% JP Morgan Emerging Market Bond Index Global Diversified and 50% JP Morgan Global Bond Index-Emerging Global Diversified). A 3% target allocation to convertible bond securities (benchmarked to the Merrill Lynch Convertible Index, All Qualities) 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 Portfolio Risk analysis. 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.

j. Interest Rate Risk

SDCERS does not have a general investment policy that addresses interest rate risk. Each investment manager's specific investment guidelines places limits on each portfolio to manage interest rate risk. Fixed income portfolios use duration to measure how a change in interest rates will affect the value of the portfolio.

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, 2011.

Type of Security	Effective Duration (in years)	Fair Value <sup>1</sup>
<u>Asset-Backed Securities</u>		
Asset-Backed Securities	1.44	\$ 28,524
<u>Adjustable Rate Mortgages</u>		
Adjustable Rate Mortgages	1.20	3,827
<u>Commercial Mortgage-Backed Securities</u>		
Commercial Mortgage-Backed Securities	2.90	38,419
<u>Collateralized Mortgage Obligations</u>		
Collateralized Mortgage Obligations	3.42	44,820
<u>Corporate Bonds</u>		
Corporate Bonds <sup>2</sup>	3.76	249,258
<u>Government &amp; Agency Obligations</u>		
Agency Securities	2.16	67,417
Municipals	11.40	26,400
Other Government Securities	3.84	11,322
Pass-Thru Securities	4.74	120,021
Sovereign Debt Securities	6.54	152,922
Supranational Debt Securities	7.17	10,538
Treasury Securities	8.77	62,550
<u>Mortgage-Backed Securities</u>		
Mortgage-Backed Securities	5.53	2,186
<u>Short-Term/Other <sup>3</sup></u>		
Foreign Currency <sup>4</sup>	0.09	13,437
Money Market Securities	0.24	17,166
Total		\$ 848,807

Footnotes:

<sup>1</sup> Fair Value does not include convertible bonds of \$140,652, fixed income mutual funds of \$604,645, and derivative instruments of (\$11,036). Convertible bonds and derivatives do not exhibit interest rate risk and duration cannot be calculated. The table below shows the effective duration for each of SDCERS' fixed income mutual funds.

<sup>2</sup> Corporates do not include convertible securities of \$140,652.

<sup>3</sup> Short Term/Other does not include derivative instruments, short term instruments, and mutual funds of \$593,609.

<sup>4</sup> Foreign Currency of \$13,437 has been added to this schedule as the duration was available.

Name of Institutional Mutual Fund	Effective Duration	Fair Value
BlackRock U.S. Debt NL Fund	4.56	\$ 278,690
MetWest Enhanced TALF Strategy	0.40	32,865
MetWest High Yield Fund B	3.20	19,096
PIMCO PAPS High Yield Portfolio	4.50	15,621
PIMCO PAPS International Portfolio	9.99	16,379
PIMCO PAPS Short-Term Floating NAV II Portfolio	0.20	166,626
Wellington Trust Company CIF II Opportunistic Emerging Markets Debt Portfolio	5.95	75,368
Total		\$ 604,645

Source: SDCERS' CAFR as of June 30, 2011

k. 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 of maturity. The total value of securities, as of June 30, 2011, 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	\$ 9,788	0.9%
Asset-Backed Securities	9,235	0.9%
Floating Rate Notes	131,198	12.5%
Range Notes	9,091	0.9%
Total	\$ 159,312	15.2%

Source: SDCERS' CAFR as of June 30, 2011

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.

l. Credit Risk

SDCERS employs two core bond managers and an emerging market debt manager that invest in a wide variety of U.S. and non-U.S. fixed income and derivative securities, fixed income mutual funds, and one passive core fixed income index fund. 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 tactical discretion to invest in non-U.S. fixed income securities while the other domestic core fixed income manager is limited to U.S. fixed income investments only.

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 (market value weighted) and minimum credit quality at time of purchase of BB+ 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 permitted securities and derivatives for SDCERS' international fixed income portfolio include investments in developed and emerging markets and derivatives. In developed markets, investments may be made in sovereign and supranationals, Eurodollar bonds, corporates and mortgages. Emerging market investments are defined as sovereign and corporate debt outside the index of the Citi World Government Bond Index ex-US. Derivative instruments may include interest rate futures, options, swaps, FX forward contracts and spot transactions. SDCERS' international fixed income portfolio has the following credit and market risk parameters: minimum average portfolio quality of A rating (market value weighted) and a minimum credit quality at time of purchase of BBB- or equivalent rating by at least one of the major rating agencies, e.g. Moody's, S&P, Fitch.

The following table identifies the credit quality for SDCERS' fixed income strategies based on portfolio holdings as of June 30, 2011.

S&P Quality Rating	Total Fair Value	Commerical Mortgage-Backed Securities	Mortgage- Backed Securities	Adjustable- Rate Mortgages	Collateralized Mortgage Obligations	Corporates <sup>1</sup>	Government & Agency Obligations <sup>2</sup>	Asset- Backed Securities	Short-Term/ Other <sup>3</sup>
US Treasury	\$ 62,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,550	\$ -	\$ -
AAA	297,925	18,437	879	3,827	37,529	12,707	214,115	10,431	-
AA+	9,961	1,622	-	-	-	7,042	1,297	-	-
AA	41,591	-	-	-	-	18,650	17,241	-	5,700
AA-	19,282	-	-	-	127	12,181	6,974	-	-
A+	50,605	7,238	-	-	-	28,833	14,534	-	-
A	67,011	1,748	-	-	-	51,319	13,105	839	-
A-	38,544	3,410	-	-	-	28,662	6,472	-	-
BBB+	17,316	105	-	-	70	17,141	-	-	-
BBB	18,292	-	-	-	882	15,960	1,450	-	-
BBB-	27,311	-	-	-	-	25,131	2,180	-	-
BB+	3,501	-	-	-	-	3,501	-	-	-
BB	2,736	-	-	-	-	2,736	-	-	-
BB-	7,888	-	-	-	-	6,287	1,601	-	-
B+	3,314	-	-	-	-	3,314	-	-	-
B	2,608	-	-	-	-	2,608	-	-	-
NR	907,770	5,859	1,307	-	6,212	153,838	109,651	17,254	613,649
A-1+	2,595	-	-	-	-	-	-	-	2,595
A-1	2,268	-	-	-	-	-	-	-	2,268
Totals	<u>\$ 1,583,068</u>	<u>\$ 38,419</u>	<u>\$ 2,186</u>	<u>\$ 3,827</u>	<u>\$ 44,820</u>	<u>\$ 389,910</u>	<u>\$ 451,170</u>	<u>\$ 28,524</u>	<u>\$ 624,212</u>

Footnotes:

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

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

<sup>3</sup> Includes fixed income mutual fund investments of \$604,645. These institutional quality fund investments are not directly rated by major credit rating agencies such as S&P. Instead, these fund investments are managed to an average credit rating for the entire fund. The following table depicts the average credit rating for each fund.

Name of Institutional Mutual Fund	Fair Value	Average Credit Rating
BlackRock U.S. Debt NL Fund	\$ 278,690	AA
MetWest Enhanced TALF Strategy	32,865	AAA
MetWest High Yield Fund B	19,096	B+
PIMCO PAPS High Yield Portfolio	15,621	BB-
PIMCO PAPS International Portfolio	16,379	AA
PIMCO PAPS Short-Term Floating NAV II Portfolio	166,626	AA+
Wellington Trust Company CIF II Opportunistic Emerging Markets Debt Portfolio	75,368	BBB-
Total	<u>\$ 604,645</u>	

m. 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, 2011, SDCERS had no single issuer that exceeded 5% of total investments, 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 issue, SDCERS' Investment Policy states that not more than 10% of the fixed income portfolio shall be invested in the debt security of any one issue at the time of initial commitment, except for U.S. Government and U.S. 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.

n. 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 does not have a specific policy relating to custodial credit risk. SDCERS' exposure to custodial credit risk is further discussed in the following paragraphs.

*Deposits*

SDCERS' is exposed to custodial credit risk for uncollateralized cash and cash equivalents that are not covered by Federal Depository Insurance Corporation (FDIC). Cash and cash equivalents on deposit with SDCERS' custodial bank totaled \$385,700 as of June 30, 2011.

*Investments*

As of June 30, 2011, 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 securities on loan collateralized by these non-cash vehicles totaled \$82,300 as of June 30, 2011 and are at risk as the collateral for these loaned securities 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 \$326,600 as of June 30, 2011, is also at risk as it is invested in a pooled vehicle managed by the custodian. The investment characteristics of the collateral pool are disclosed in the Securities Lending section.

o. 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 following table represents SDCERS' securities held in a foreign currency as of June 30, 2011.

<u>Local Currency Name</u>	<u>Cash</u>	<u>Equity</u>	<u>Fixed income</u>	<u>Total</u>
Australian Dollar	\$ 360	\$ 16,692	\$ 12,779	\$ 29,831
Brazilian Real	-	443	27	470
Canadian Dollar	570	22,896	24,501	47,967
Chinese Renminbi	(168)	-	-	(168)
Chinese Yuan	169	117	-	286
Danish Krone	59	3,842	2,760	6,661
Euro Currency	5,669	166,212	129,510	301,391
Hong Kong Dollar	360	34,080	-	34,440
Indonesian Rupiah	-	902	-	902
Israel Shekel	10	1,795	-	1,805
Japanese Yen	1,425	114,635	15,483	131,543
Malaysian Ringgit	-	1,977	-	1,977
Mexican Peso	-	374	8,464	8,838
New Zealand Dollar	19	1,281	-	1,300
Norwegian Krone	233	4,702	-	4,935
Philippine Peso	-	245	-	245
Polish Zloty	-	-	721	721
Singapore Dollar	227	5,116	-	5,343
South African Rand	2	2,590	-	2,592
South Korean Won	-	15,856	5,118	20,974
Swedish Krona	244	13,852	919	15,015
Swiss Franc	548	30,626	-	31,174
Taiwan Dollar	515	5,118	-	5,633
Thailand Baht	-	2,613	-	2,613
Turkish Lira	-	-	-	-
United Kingdom Pound	336	95,178	13,108	108,622
Totals	<u>\$ 10,578</u>	<u>\$ 541,142</u>	<u>\$ 213,390</u>	<u>\$ 765,110</u>

This schedule does not include foreign currency exposure to four international equity and one international fixed income institutional mutual fund investments.

Source: SDCERS' CAFR as of June 30, 2011

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. A significant 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.



p. Derivative Instruments

In June 2008, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which became effective for financial statements for periods beginning after June 15, 2009. Pursuant to the requirements of this statement, SDCERS has provided a summary of derivative instrument activities during the reporting period and the related risks. As of June 30, 2011, 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 SDCERS Statement of Changes in Plan Net Assets.

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 investment vehicles 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 a portfolio's performance and/or reduce the portfolio's risk.

All investment derivatives discussed below are addressed in the Investment Policy and Portfolio Risk discussion (section i). 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, 2011.

**Investment Derivative Disclosure**

Investment Derivative Instruments	Changes in Fair Value		Fair Value at June 30, 2011		
	Classification	Amount	Classification	Amount	Notional
Credit Default Swaps	Investment Income / (Loss)	\$ (75)	Swaps	\$ (567)	\$ 66,603
Fixed Income Futures	Investment Income / (Loss)	7,455	Futures	-	579,543
Fixed Income Options	Investment Income / (Loss)	1,939	Options	(1,201)	(298,700)
Foreign Currency Futures	Investment Income / (Loss)	1,237	Futures	-	10,400
Futures Options Written	Investment Income / (Loss)	611	Options	(150)	(586)
Foreign Currency Forwards	Investment Income / (Loss)	(5,286)	Long Term Instruments	(252)	176,107
Index Futures	Investment Income / (Loss)	65,687	Futures	-	173
Interest Rate Swaps	Investment Income / (Loss)	(3,443)	Swaps	(734)	97,375
Rights	Investment Income / (Loss)	382	Common Stock	7	49
Warrants	Investment Income / (Loss)	9	Common Stock	-	-
<b>Total Derivative Instruments</b>		<b>\$ 68,516</b>		<b>\$ (2,897)</b>	<b>\$ 630,964</b>

Source: SDCERS' CAFR as of June 30, 2011

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, 2011. 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, 2011.

#### *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, 2011:

<u>Counterparty Name</u>	<u>Fair Value</u>	<u>S&amp;P Rating</u>
Deutsche Bank AG London	\$ 182	A+
Citibank N.A.	124	A+
UBS AG	69	A+
BNP Paribas SA	60	AA
Credit Suisse London Branch (GFX)	57	A+
Bank of America N.A.	52	A+
Morgan Stanley Capital Services Inc.	52	A
Royal Bank of Canada	52	AA-
JPMorgan Chase Bank	51	AA-
Credit Suisse Securities (USA) LLC	30	A+
Credit Suisse Financial Products	20	A+
Merrill Lynch Pierce Fenner & Smith Inc.	15	A
HSBC Bank USA	11	AA
Morgan Stanley and Co. International PLC	8	A
JPMorgan Chase Bank N.A.	7	AA-
Barclays Capital	7	AA-
UBS AG London	5	A+
Goldman Sachs International	3	A
Barclays Bank PLC Wholesale	3	AA-
Total	<u>\$ 808</u>	

Source: SDCERS' CAFR as of June 30, 2011

The aggregate fair value of investment derivative instruments in an asset position subject to counterparty credit risk at June 30, 2011 was \$808. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. At June 30, 2011, 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*

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2011, 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, 2011 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	\$ (567)	\$ 4	\$ (412)	\$ (159)	\$ -
Fixed Income Options	(1,201)	(762)	(365)	(74)	-
Interest Rate Swaps	(734)	3	12	(223)	(526)
<b>Total</b>	<b>\$ (2,502)</b>	<b>\$ (755)</b>	<b>\$ (765)</b>	<b>\$ (456)</b>	<b>\$ (526)</b>

Source: SDCERS' CAFR as of June 30, 2011

*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, 2011.

Investment Type	Fair Value	Notional
Credit Default Swaps	\$ (567)	\$ 66,603
Fixed Income Futures	-	579,543
Fixed Income Options	(1,201)	(298,700)
Interest Rate Swaps	(734)	97,375
<b>Total</b>	<b>\$ (2,502)</b>	<b>\$ 444,821</b>

Source: SDCERS' CAFR as of June 30, 2011

*Foreign Currency Risk*

At June 30, 2011, 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	Fixed Income Options	Forward Contracts		Interest Rate Swaps	Total
		Net Receivables	Net Payables		
Australian Dollar	\$ -	\$ -	\$ (86,254)	\$ -	\$ (86,254)
Brazilian Real	-	-	-	26,625	26,625
Canadian Dollar	-	13,566	(152,732)	-	(139,166)
Swiss Franc	-	954	-	-	954
Chilean Peso	-	(461)	-	-	(461)
Yuan Renminbi	-	509	-	-	509
Danish Krone	-	(3,782)	(2,653)	-	(6,435)
Euro Currency	7,104	64,377	(239,812)	(32,946)	(201,277)
Pound Sterling	-	(1,761)	225,432	-	223,671
Japanese Yen	-	(21,238)	-	-	(21,238)
South Korean Won	-	-	(21,045)	-	(21,045)
Mexican Peso	-	3,433	(22,656)	-	(19,223)
Malaysian Ringgit	-	6,743	-	-	6,743
Norwegian Krone	-	30,690	-	-	30,690
Peruvian Nouveau Sol	-	990	(1,803)	-	(813)
Philippine Peso	-	(36,919)	-	-	(36,919)
Polish Zloty	-	(4,680)	3,322	-	(1,358)
Swedish Krona	-	(9,424)	-	-	(9,424)
Singapore Dollar	-	2,728	-	-	2,728
<b>Total</b>	<b>\$ 7,104</b>	<b>\$ 45,725</b>	<b>\$ (298,201)</b>	<b>\$ (6,321)</b>	<b>\$ (251,693)</b>

Source: SDCERS' CAFR as of June 30, 2011

In addition to the investments listed in the above table, SDCERS has investments in foreign futures contracts with a total notional value of \$3,700. 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, 2011.

*Contingent Features*

At June 30, 2011, SDCERS did not hold any positions in derivatives containing contingent features.

q. Private Equity

SDCERS' target allocation to private equity is 5%. The Board has approved an opportunistic portfolio composition with a focus on value and current income-producing strategies. As of June 30, 2011, unfunded capital commitments totaled \$220,200 and private equity investments totaled \$87,004.

r. Real Estate

SDCERS' target allocation to real estate is 11%. The Board has established the following portfolio composition targets: 25% in public real estate securities and 75% in private real estate investments. The private portfolio is further diversified with a target of 60% in core real estate and 40% 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 pursuant to a policy adopted by the Board in FY 2007. As of June 30, 2011, unfunded capital commitments totaled \$116,400 and real estate investments totaled \$519,754.

s. Securities Lending

SDCERS has entered into an agreement with State Street Bank and Trust Company (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 100% of the market value of the loaned securities. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default.

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 a default of the borrowers or State Street. Non-cash collateral (securities and letters of credit) cannot be pledged or sold without a borrower default and are therefore not reported as an asset of SDCERS for financial reporting purposes.

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, 2011, securities on loan collateralized by cash had a fair value of \$319,200 and a collateral value of \$326,600, which was reported in the assets and liabilities in the accompanying Statement of Plan Net Assets for the Group Trust in accordance with GASB Statement No. 28. The collateral value exceeds the fair value of the securities on loan because borrowers are required to deliver collateral for each loan up to 102% for domestic loans and 105% for international loans. As of June 30, 2011, securities on loan collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of \$78,800 and a collateral value of \$82,300, which were not reported in the assets or liabilities in the accompanying Statement of Plan Net Assets for the

Group Trust per GASB Statement No. 28. The total collateral pledged to SDCERS at fiscal year end June 30, 2011 for its securities lending activities was \$408,900.

During the fiscal year, SDCERS and the borrowers maintained 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. In July 2010, State Street announced a restructuring of the securities lending collateral funds. Each fund was separated into two pools, a liquidity pool and a duration pool. The split allows SDCERS greater flexibility in managing the available liquidity in the investments in the collateral funds and the outstanding balance of securities on loan. SDCERS invests in two collateral funds, the Quality D Short-Term Investment Fund (Quality D) and the State Street Global Securities Lending Euro Trust (Euro Trust).

The restructuring of the Quality D and Euro Trust was completed in December 2010. At the time of the restructuring, the liquidity pool consisted solely of assets whose amortized values approximated their fair market values and that had a final maturity of 90 days or less from the date of restructuring. Due to the inherent extension risk, any asset-backed securities were not included in the liquidity pool even if they had a final maturity date of less than 90 days from the date of restructuring. These assets were held in the duration pool. As these asset-backed securities pay down and mature, the cash generated will be transferred from the duration pool to the liquidity pool. The duration pool will consist primarily of investments with expected maturities of greater than 90 days at the time of restructuring and will not accept new investments of cash collateral. SDCERS will have its own specified percentage interest in each security held in the duration pool, and such percentage interest will not vary over time unless one or more other participants in the pool withdraw their interests in kind. The duration pool does not permit cash redemptions, but rather withdrawals on an in-kind basis. The duration funds continue to receive payments and have not realized any defaults.

As of June 30, 2011, SDCERS had \$220,500 invested in the Quality D liquidity collateral pool, which had an average duration of 31.67 days and an average weighted final maturity of 61.80 days. SDCERS had \$84,500 invested in the Quality D duration pool, which had an average duration of 35.97 days and an average weighted final maturity of 484.43 days. As of June 30, 2011, SDCERS had \$5,500 invested in the Euro Trust liquidity pool, which had an average duration of 11 days and an average weighted final maturity of 30 days. SDCERS had \$16,100 invested in the Euro Trust duration pool, which had an average duration of 41 days and an average weighted final maturity of 1,149 days.

Duration is a measure of time based on the weighted average of all cash flows for the securities in the collateral pools. 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 Units – Disclosures for Policy and Specific Risks

*Narratives and tables presented in the following sections (t. through u.) are taken directly from the audited financial statements of the San Diego Convention Center Corporation and the comprehensive annual financial report of the San Diego Housing Commission as of June 30, 2011, issued December 5, 2011 and November 30, 2011, respectively.*

t. San Diego Convention Center Corporation

Cash deposits and investments for SDCCC were categorized as follows at June 30, 2011:

Cash on hand	\$ 65
Deposits	110
Certificates of deposit (non-negotiable)	1,207
Bank money market account deposits	9,125
Government money market mutual funds	2,919
Total cash and investments	<u>\$ 13,426</u>

#### *Deposits*

On June 30, 2011, the carrying amount of the San Diego Convention Center Corporation's (SDCCC) cash on hand, deposits, non-negotiable certificates of deposit and bank money market account deposits was \$10,507 and the bank balance was \$10,441. Of the bank balance, \$610 was covered by federal depository insurance. The remaining uninsured balance of \$9,831 was collateralized with the collateral held by an affiliate of the counterparty's financial institution. Neither the bank money market account deposits nor the certificates of deposit are rated by credit rating agencies. The \$1,207 invested in non-negotiable certificates of deposit bear interest rates of 0.4% and have maturities greater than three months and less than one year. SDCCC developed a formal deposit and investment policy that was approved in August 2010 which addresses custodial credit risk.

#### *Investments*

At June 30, 2011, SDCCC had total investments of \$2,919 which were invested in government money market mutual funds. The government money market mutual funds have a "AAA" rating with a weighted average maturity of 48 days. The carrying value of the money market mutual funds is determined at the book value of the portfolio. SDCCC developed a formal deposit and investment policy in August 2010 which addresses credit quality risk and allowable investments. SDCCC places no limit on the amount that may be invested in any one account or fund. SDCCC's allowable investments include: obligations of the U.S. government, its agencies and instrumentalities; investment grade state and local government securities; certificates of deposit, bankers' acceptances; repurchase agreements; and money market mutual funds whose portfolios consist of only domestic securities.

u. San Diego Housing Commission

Cash, cash equivalents, and investments at June 30, 2011 consisted of the following:

Deposits	\$ 4,453
Petty cash	14
Cash held in investment account	1
Certificates of deposit (non-negotiable)	87
Agency Bonds	58,868
Corporate Bonds	9,036
Local Agency Investment Fund	34,792
San Diego County Investment Pool	<u>22,220</u>
Total cash and investments	129,471
Restricted cash and cash equivalents	<u>4,425</u>
Total	<u><u>\$ 133,896</u></u>

*Deposits*

The carrying amount of the San Diego Housing Commission's (SDHC) deposits and petty cash was \$4,467. The bank balances were fully insured and/or collateralized with securities held by the pledging financial institutions in SDHC's name. The California Government Code requires California banks and savings and loan associations to secure SDHC's deposits by pledging securities as collateral. This 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. Thus, collateral for cash deposits is considered to be held in SDHC's name.

At June 30, 2011, SDHC had a carrying amount and bank balance of \$87 in non-negotiable certificates of deposit. The certificates of deposit were either covered by FDIC insurance or 100% collateralized with securities held by pledging financial institutions.

*Investments*

As of June 30, 2011, SDHC's investments included agency bonds, corporate bonds, California Local Agency Investment Fund (LAIF) and San Diego County Investment Pool (SDCIP). Agency bonds represent SDHC's investment in Government-Sponsored Enterprises (GSE), such as Fannie Mae (FNMA) and Freddie Mac (FDMC), Senior Debt and Mortgage-Backed Security (MBS) bonds traded on an active secondary market. As of June 30, 2010, SDHC had \$58,868 invested in U.S. Government Agency bonds, with \$1,000 invested in GSE Senior Debt and the remaining \$57,868 invested in Agency MBS. The GSE Senior Debt securities hold a Standard & Poor's AAA rating.

SDHC's investment in corporate bonds represent an investment in FDIC-guaranteed floating rate corporate debt securities (floaters) explicitly backed by the U.S. government. Unlike fixed rate instruments, the coupon rate on these floating-rate securities resets every 3 months based on the 90 day London Inter-Bank Offer Rate (LIBOR) index plus a margin or basis points. As of June 30, 2011, SDHC had \$9,036 invested in corporate bonds which were all rated AAA by Standard & Poor's.

SDHC participates in the Local Agency Investment Fund (LAIF). As of June 30, 2011, SDHC had \$34,792 invested with LAIF. The investment in LAIF represents SDHC's equity in the pooled investments of that fund. The average maturity of Pooled Money Investment Account (PMIA) investments was 237 days as of June 30, 2011. LAIF had 5.01% of the pool investment funds in structured notes and asset-backed securities.



In addition to LAIF, SDHC also participates in the San Diego County Investment Pool (SDCIP). SDCIP is a Standard & Poor's AAA rated fund managed by the San Diego County Treasurer-Tax Collector. The market value of SDCIP's investment portfolio at June 30, 2011 was \$5,856,000. The investment portfolio had a weighted average yield to maturity of 0.84%, weighted days to maturity of 425 days and an effective duration of 0.670 years. SDHC is a voluntary participant in the County pool and as of June 30, 2011, SDHC has \$22,220 invested in SDCIP.

#### *Policy*

In accordance with state statutes and HUD regulations, SDHC has authorized the Chief Financial Officer (CFO) or designee to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in the Commission Investment Policy. An Investment Committee, consisting of two Commission Board members, monitors the management of funds and compliance with the Commission Investment Policy. There are many factors that can affect the value of investments. Some factors, such as credit risk, custodial risk, concentration of credit risk, and interest rate risk, may affect both equity and fixed income securities. It is the investment policy of SDHC to invest substantially all of its funds in fixed income securities which limits SDHC's exposure to most types of risk.

#### *Interest Rate Risk*

In accordance with its investment policy, SDHC manages its interest rate risk by limiting the weighted average maturity of its investment portfolio. This is accomplished by matching portfolio maturities to projected liabilities and by continuously investing a portion of the portfolio in readily available funds to ensure that appropriate liquidity is maintained in order to meet ongoing operations.

#### *Credit Risk*

SDHC will minimize credit risk by limiting investments to those listed in the investment policy. In addition, SDHC will pre-qualify the financial institutions, broker/dealers, intermediaries, and advisors with which SDHC will do business in accordance with the investment policy. SDHC will diversify the portion of the investment portfolio not invested in U.S. Treasury Bills, Notes, Bonds, and Collateralized Certificates of Deposit 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. Investments issued or guaranteed by the U.S. government and investments in external investment pools such as LAIF are not considered subject to concentration of credit risk. SDHC may choose to maintain 100% of its investment portfolio in U.S. Treasury Bills, Notes, Bonds, and Collateralized Certificates of Deposit.

#### *Custodial Credit Risk*

At June 30, 2011, SDHC did not have any investments exposed to custodial risk. Bonds are purchased through a Merrill Lynch account in SDHC's name. All securities are held in safekeeping by Merrill Lynch and are covered by Securities Investor Protection Corporation (SIPC) and a separate Lloyd's of London policy for a combined aggregate limit of \$600 million.

#### 4. CAPITAL ASSETS (In Thousands)

Capital asset activity for the year ended June 30, 2011 was as follows:

	Primary Government				
	Beginning Balance	Increases	Decreases/ Adjustments	Transfers	Ending Balance
<b>GOVERNMENTAL ACTIVITIES:</b>					
Non-Depreciable Capital Assets:					
Land & Rights of Way	\$ 1,798,345	\$ 13,926	\$ (303)	\$ 3	\$ 1,811,971
Easements	5	272	-	-	277
Construction in Progress	191,743	89,648	(194)	(59,401)	221,796
Total Non-Depreciable Capital Assets	1,990,093	103,846	(497)	(59,398)	2,034,044
Depreciable Capital Assets:					
Structures and Improvements	1,185,245	3,649	(25)	2,713	1,191,582
Equipment	356,791	17,517	(23,176)	5,256	356,388
Equipment (Intangible)	37,619	508	-	-	38,127
Infrastructure	3,220,833	58,385	-	51,429	3,330,647
Total Depreciable Capital Assets	4,800,488	80,059	(23,201)	59,398	4,916,744
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(373,341)	(30,401)	19	-	(403,723)
Equipment	(203,512)	(32,079)	21,223	-	(214,368)
Equipment (Intangible)	-	(3,813)	-	-	(3,813)
Infrastructure	(1,727,654)	(87,030)	-	-	(1,814,684)
Total Accumulated Depreciation/Amortization	(2,304,507)	(153,323)	21,242	-	(2,436,588)
Total Depreciable Capital Assets - Net of Depreciation	2,495,981	(73,264)	(1,959)	59,398	2,480,156
Governmental Activities Capital Assets, Net	\$ 4,486,074	\$ 30,582	\$ (2,456)	\$ -	\$ 4,514,200
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Non-Depreciable Capital Assets:					
Land & Rights of Way	\$ 95,428	\$ 14	\$ -	\$ -	\$ 95,442
Easements	19	25	-	-	44
Construction in Progress	288,869	108,820	(1,820)	(179,940)	215,929
Total Non-Depreciable Capital Assets	384,316	108,859	(1,820)	(179,940)	311,415
Depreciable Capital Assets:					
Structures and Improvements	1,697,724	17,690	(30)	51,734	1,767,118
Equipment	413,652	7,556	(1,092)	15,742	435,858
Distribution & Collection Systems and Other Infrastructure	3,859,930	64,029	(2,126)	112,464	4,034,297
Total Depreciable Capital Assets	5,971,306	89,275	(3,248)	179,940	6,237,273
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(391,825)	(37,484)	30	2,222	(427,057)
Equipment	(266,566)	(16,122)	880	30	(281,778)
Distribution & Collection Systems and Other Infrastructure	(792,323)	(58,695)	677	(2,252)	(852,593)
Total Accumulated Depreciation/Amortization	(1,450,714)	(112,301)	1,587	-	(1,561,428)
Total Depreciable Capital Assets - Net of Depreciation	4,520,592	(23,026)	(1,661)	179,940	4,675,845
Business-Type Activities Capital Assets, Net	\$ 4,904,908	\$ 85,833	\$ (3,481)	\$ -	\$ 4,987,260

Governmental Activities capital assets net of accumulated depreciation at June 30, 2011 are comprised of the following:

General Capital Assets, Net	\$ 4,395,436
Internal Service Funds Capital Assets, Net	118,764
Total	<u>\$ 4,514,200</u>

Business-Type Activities capital assets net of accumulated depreciation at June 30, 2011 are comprised of the following:

Enterprise Funds Capital Assets, Net	<u>\$ 4,987,260</u>
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Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

General Government and Support	\$ 7,002
Public Safety - Police	4,367
Public Safety - Fire and Life Safety and Homeland Security	3,723
Parks, Recreation, Culture and Leisure	35,334
Transportation	74,308
Sanitation and Health	450
Neighborhood Services	<u>2,158</u>
Subtotal	127,342
Internal Service	<u>25,981</u>
Total Depreciation/Amortization Expense	<u>\$ 153,323</u>

**Business-Type Activities:**

Sewer Utility	\$ 63,488
Water Utility	43,054
Airports	652
Development Services	66
Environmental Services	3,470
Golf Course	1,095
Recycling	<u>476</u>
Total Depreciation/Amortization Expense	<u>\$ 112,301</u>

**Discretely Presented Component Units**

Capital asset activities for the City's Discretely Presented Component Units for the year ended June 30, 2011 are as follows:

	<b>Discretely Presented Component Unit - San Diego Convention Center Corporation</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases/ Adjustments</b>	<b>Ending Balance</b>
Non-Depreciable Capital Assets:				
Land, Easements, Rights of Way	\$ 13,661	\$ 2,933	\$ -	\$ 16,594
Depreciable Capital Assets:				
Structures and Improvements	27,098	2,408	(5)	29,501
Equipment	9,570	67	(514)	9,123
Total Depreciable Capital Assets	36,668	2,475	(519)	38,624
Less Accumulated Depreciation/Amortization For:				
Structures and Improvements	(13,963)	(1,871)	5	(15,829)
Equipment	(7,845)	(552)	490	(7,907)
Total Accumulated Depreciation/Amortization	(21,808)	(2,423)	495	(23,736)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	14,860	52	(24)	14,888
Capital Assets, Net	\$ 28,521	\$ 2,985	\$ (24)	\$ 31,482

	<b>Discretely Presented Component Unit - San Diego Housing Commission</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases/ Adjustments</b>	<b>Ending Balance</b>
Non-Depreciable Capital Assets:				
Land, Easements, Rights of Way	\$ 39,023	\$ 21,634	\$ (216)	\$ 60,441
Construction in Progress	4,319	126	(3,979)	466
Total Non-Depreciable Capital Assets	43,342	21,760	(4,195)	60,907
Depreciable Capital Assets:				
Structures and Improvements	73,182	26,758	2,502	102,442
Equipment	2,931	287	(5)	3,213
Total Depreciable Capital Assets	76,113	27,045	2,497	105,655
Less Accumulated Depreciation/Amortization For:				
Structures and Improvements	(10,293)	(3,489)	1,543	(12,239)
Equipment	(1,905)	(559)	154	(2,310)
Total Accumulated Depreciation/Amortization	(12,198)	(4,048)	1,697	(14,549)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	63,915	22,997	4,194	91,106
Capital Assets, Net	\$ 107,257	\$ 44,757	\$ (1)	\$ 152,013

## 5. GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES (IN THOUSANDS)

### a. Long-Term Liabilities

Governmental long-term liabilities as of June 30, 2011 are comprised of the following:

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2011</u>
Arbitrage Liability				\$ 3
Compensated Absences				73,452
Liability Claims				313,592
Capital Lease Obligations				68,018
Qualified Energy Conservation Bonds Lease Obligation		2026	\$ 13,142	13,142
<b><u>Contracts Payable:</u></b>				
Facilities Financing Reimbursement Agreement Obligations				24,419
<b><u>Loans Payable:</u></b>				
California Housing Finance Agency, dated October 2006	3.0%	2017	1,250	1,250
California Energy Resources Conservation and Development Commission, dated January 2007	4.5	2021	1,280	1,148
California Energy Resources Conservation and Development Commission, dated March 2007	3.95	2019	2,154	1,461
Bank of America, N.A. McGuigan Judgment, dated June 2010	3.79*	2015	32,762	32,762
<b>Total Loans Payable</b>				<b>36,621</b>
<b>Section 108 Loans Payable</b>				<b>16,342</b>
<b><u>General Obligation Bonds:</u></b>				
Public Safety Communications Project, Series 1991	5.0 - 8.0**	2012	25,500	2,240
<b><u>Revenue Bonds / Lease Revenue Bonds / COPs:</u></b>				
Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 1998 A	3.8 - 5.25**	2028	205,000	156,785
Centre City Parking Revenue Bonds, Series 1999 A	4.5 - 6.4**	2026	12,105	9,140
Public Facilities Financing Authority Fire and Life Safety Lease Revenue Bonds, Series 2002 B	3.55 - 7.0**	2032	25,070	21,150
Centre City Parking Revenue Bonds, Series 2003 B	3.0 - 5.3**	2027	20,515	16,255
MTDB Authority Lease Revenue Refunding Bonds, Series 2003	2.0 - 4.375**	2023	15,255	10,745
San Diego Facilities Equipment Leasing Corp. Certificates of Participation Refunding, Series 2003	1.0 - 4.0**	2024	17,425	7,725
Public Facilities Financing Authority Ballpark Lease Revenue Refunding Bonds, Series 2007 A	5.0 - 5.25**	2032	156,560	142,115
Public Facilities Financing Authority Lease Revenue Refunding Bonds, Series 2010 A	3.0-5.25**	2040	167,635	167,635
<b>Total Revenue Bonds / Lease Revenue Bonds / COPs</b>				<b>531,550</b>

(continued on next page)

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2011</u>
<b><u>Tax Allocation Bonds:</u></b>				
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	4.4 - 6.0**	2020	\$ 1,200	\$ 645
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	3.8 - 6.0**	2016	12,970	4,795
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	3.0 - 5.125**	2019	25,680	22,295
Centre City Redevelopment Tax Allocation Bonds, Series 1999 B	6.25**	2014	11,360	6,885
Centre City Redevelopment Tax Allocation Bonds, Series 1999 C	3.1 - 4.75**	2025	13,610	11,190
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	4.5 - 5.8**	2029	5,690	4,765
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	5.75 - 6.4**	2029	10,141	8,160
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	4.0 - 5.6**	2025	6,100	4,410
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	3.95 - 5.35**	2025	21,390	17,095
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.8**	2022	15,025	11,815
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.875**	2031	13,000	10,655
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	4.1 - 5.9**	2031	7,000	5,740
Centre City Redevelopment Project Tax Allocation Bonds, Series 2001 A	4.93 - 5.55****	2027	58,425	54,795
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	5.0**	2027	3,055	3,055
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	2.5 - 5.0**	2029	31,000	11,980
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	5.875 - 6.5**	2034	4,955	4,955
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B	2.5 - 4.25**	2014	865	255
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	4.65 - 5.1**	2022	6,325	6,325
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	3.25 - 5.45**	2022	4,530	4,115
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	3.49 - 7.74**	2022	8,000	5,890
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	1.5 - 6.125**	2028	7,145	5,635
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	4.75 - 5.0**	2034	5,360	5,360
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	3.5 - 5.25**	2030	101,180	88,260

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2011</u>
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	2.26 - 6.18**	2030	\$ 27,785	\$ 23,425
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	2.26 - 6.28**	2030	8,905	7,525
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A	4.25 - 5.25**	2033	76,225	73,530
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B	5.66 - 6.2**	2032	33,760	31,490
Centre City Redevelopment Project Tax Allocation Bonds, Series 2008 A	3.74 - 6.3**	2021	69,000	60,120
North Park Redevelopment Project Tax Allocation Bonds, Series 2009 A	6.0-7.0**	2040	13,930	13,930
City Heights Redevelopment Project Tax Allocation Bonds, Series 2010 A	5.625**	2041	5,635	5,635
City Heights Redevelopment Project Tax Allocation Bonds, Series 2010 B	7.375**	2038	9,590	9,590
Crossroads Redevelopment Project Tax Allocation Bonds, Series 2010 A	3.0-6.0**	2041	4,915	4,915
Housing Set-Aside Tax Allocation Bonds, Series 2010 A	4.375-7.75**	2041	58,565	58,565
Naval Training Center Redevelopment Project Tax Allocation Bonds, Series 2010 A	3.0-5.75**	2041	19,765	19,765
San Ysidro Redevelopment Project Tax Allocation Bonds, Series 2010 A	5.75**	2041	2,900	2,900
San Ysidro Redevelopment Project Tax Allocation Bonds, Series 2010 B	4.375-7.750**	2036	5,030	5,030
<b>Total Tax Allocation Bonds</b>				<u>615,495</u>
<b><u>Tobacco Settlement Asset-Backed Bonds:</u></b>				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	7.125**	2023	105,400	89,600
<b><u>Pooled Financing Bonds:</u></b>				
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 A	5.95 - 6.65**	2038	17,230	15,580
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 B	4.0 - 5.25**	2038	17,755	16,430
<b>Total Pooled Financing Bonds</b>				<u>32,010</u>
<b>Total Bonds Payable</b>				<u>1,270,895</u>
<b>Net Other Postemployment Benefits Obligation</b>				167,819
<b>Net Pension Obligation</b>				117,219
<b>Total Governmental Activities Long-Term Liabilities</b>				<u>\$ 2,101,522</u>

\* McGuigan Judgment loan payable has a 3.79% fixed rate for term of borrowing subject to increase if there is a rating downgrade or an Event of Default.

\*\* Interest rates are fixed and reflect the range of rates for various maturities from the date of issuance to maturity.

\*\*\* The City Heights Redevelopment Tax Allocation Bonds, Series 1999 B, are capital appreciation bonds, which mature from fiscal year 2011 through 2029. The balance outstanding at June 30, 2011 does not include accreted interest of \$9,030.

\*\*\*\* The Centre City Redevelopment Tax Allocation Bonds, Series 2001 A, partially include capital appreciation bonds, which mature from fiscal year 2015 through 2027. The balance outstanding at June 30, 2011 does not include accreted interest of \$9,356.

Arbitrage Rebate Liability is calculated via third party providers in accordance with the provisions of the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations effective as of July 1, 1993, as amended.

Liability claims are primarily liquidated by the Self Insurance (Internal Service) Fund and Enterprise Funds. Compensated absences are generally liquidated by the general fund, enterprise funds, and certain internal service funds. Pension liabilities are paid out of the operating funds based on a percentage of payroll.

Taxable QECBs were issued pursuant to the America Recovery and Reinvestment Act of 2009. The QECB financing is eligible for the direct interest subsidy payment from the U.S. Department of the Treasury within the meaning of Section 54D(a) of the Internal Revenue Code of 1986, as amended. The QECBs were issued to fund the Broad Spectrum Street Lighting Conversion Program and will be paid from annual appropriations payable out of any source of legally available funds. The nominal interest rate of the lease financing is 6.16% with a net effective rate of 2.40% including the QECB federal subsidy.

A Contract Payable to Western Pacific Housing of \$3,000 was reduced in the prior fiscal year by \$1,872, pursuant to the Disposition and Development Agreement between RDA and Western Pacific Housing. The Affordability Component of the obligation, which is subject to an adjustment based on the actual project sales revenue proceeds received by Western Pacific Housing, resulted in a reduction of \$972. Additionally, due to the fact that Western Pacific Housing did not comply with prevailing wage requirements of the DDA, the Public Improvement Component of the obligation of \$900 was eliminated. The remaining balance was paid in full by the end of fiscal year 2011.

Loans Payable also included six separate non-revolving secured three-year term lines of credit executed by RDA with San Diego National Bank, dated July 26, 2007. Four lines of credit are for affordable housing in North Park, City Heights, North Bay and Naval Training Center (NTC) Redevelopment Project Areas. Two lines of credit are for non-housing or general purposes for City Heights and NTC Redevelopment Project Areas. Each advance taken from the lines of credit has a fixed rate. The remaining balances were refunded within the fiscal year.

On June 30, 2010, the City entered into an Agreement Regarding Purchase of McGuigan Judgment with Bank of America, N.A. (BANA). The Agreement is related to the Settlement Agreement and Judgment between William J. McGuigan (Class Representative) and the City of San Diego, under which the City agreed to pay SDCERS \$173,000 in excess of the ARC no later than June 8, 2011. As of June 30, 2010, a balance of \$32,762 was owed to SDCERS. Under the terms of the Agreement, the outstanding balance on the McGuigan Judgment was transferred to BANA as a loan payable of the City and will be repaid in four annual payments beginning in fiscal year 2012. The Judgment Installment Payments to BANA have a fixed rate of 3.79% unless the City's long-term general obligation indebtedness rating is lowered, withdrawn, suspended or upon the occurrence of an Event of Default.

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.

Public safety general obligation bonds are secured by a pledge of the full faith and credit of the City or by a pledge of the City to levy ad valorem property taxes without limitation.

Revenue bonds are secured by a pledge of specific revenue generally derived from fees or service charges related to the operation of the project being financed. Certificates of Participation (COPs) and 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 Asset-Backed Bonds are limited obligations of the Tobacco Settlement Revenue Funding Corporation, which is a separate legal California nonprofit public benefit corporation established by the City of San Diego. TSRFC purchased from the City the rights to receive future tobacco settlement revenues due to the City. The Tobacco Settlement Asset-Backed Bonds are payable from and secured solely by pledged tobacco settlement revenues.

b. Amortization Requirements

The annual requirements to amortize such long-term debt outstanding as of June 30, 2011, including interest payments to maturity, are as follows:

Year Ended June 30,	Capital Lease Obligations		Qualified Energy Conservation Bonds Lease Obligation		Contracts Payable		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2012	\$ 17,276	\$ 2,521	\$ 750	\$ 776	\$ -	\$ -	\$ 8,061
2013	15,930	1,844	755	763	-	-	8,373	1,056
2014	11,861	1,266	773	717	-	-	8,699	730
2015	8,487	858	792	669	-	-	9,034	395
2016	5,801	563	811	620	-	-	389	46
2017-2021	6,159	1,239	4,356	2,328	-	-	815	49
2022-2026	2,504	182	4,905	921	-	-	-	-
Unscheduled*	-	-	-	-	24,419	-	1,250	76
Total	<u>\$ 68,018</u>	<u>\$ 8,473</u>	<u>\$ 13,142</u>	<u>\$ 6,794</u>	<u>\$ 24,419</u>	<u>\$ -</u>	<u>\$ 36,621</u>	<u>\$ 3,721</u>

\* The contracts payable for the Facilities Financing Reimbursement Agreements in the amount of \$24,419, and the loan payable to the California Housing Finance Agency in the amount of \$1,250 do not have an annual repayment schedule. Annual Payments to the Facilities Financing Reimbursement Agreements are based on availability of Facilities Benefit Assessment (FBA) and Development Impact Fee (DIF) revenue. Annual payments to the California Housing Finance Agency are deferred for the term of the loan.

Year Ended June 30,	Section 108 Loans Payable		General Obligation Bonds		Revenue Bonds / COPs	
	Principal	Interest	Principal	Interest	Principal	Interest
	2012	\$ 1,154	\$ 814	\$ 2,240	\$ 74	15,330
2013	1,171	765	-	-	18,400	25,596
2014	1,221	712	-	-	19,260	24,731
2015	1,282	656	-	-	20,180	23,818
2016	1,304	595	-	-	21,135	22,857
2017-2021	6,697	1,942	-	-	122,060	97,917
2022-2026	3,513	382	-	-	146,190	65,050
2027-2031	-	-	-	-	104,720	30,342
2032-2036	-	-	-	-	38,190	11,363
2037-2041	-	-	-	-	26,085	3,170
Total	<u>\$ 16,342</u>	<u>\$ 5,866</u>	<u>\$ 2,240</u>	<u>\$ 74</u>	<u>\$ 531,550</u>	<u>\$ 331,206</u>

Year Ended June 30,	Tax Allocation Bonds			Tobacco Settlement Asset-Backed Bonds		Pooled Financing Bonds	
	Principal	Unaccreted		Principal**	Interest	Principal	Interest
		Appreciation*	Interest				
2012	\$ 21,569	\$ 2,317	\$ 32,914	\$ 4,400	\$ 6,384	\$ 825	\$ 1,805
2013	24,688	2,388	31,762	4,600	6,071	860	1,762
2014	26,249	2,455	30,465	5,000	5,743	900	1,718
2015	27,103	2,459	29,122	5,400	5,386	950	1,671
2016	28,502	2,440	27,724	5,700	5,002	1,000	1,621
2017-2021	161,353	11,280	114,627	35,500	18,261	5,775	7,223
2022-2026	129,279	6,394	76,727	29,000	3,513	5,795	5,582
2027-2031	93,047	447	46,072	-	-	7,720	3,610
2032-2036	53,870	-	25,081	-	-	6,260	1,317
2037-2041	49,835	-	8,813	-	-	1,925	115
Subtotal	615,495	30,180	423,307	89,600	50,360	32,010	26,424
Add:							
Accreted Appreciation through June 30, 2011	18,386	-	-	-	-	-	-
Total	<u>\$ 633,881</u>	<u>\$ 30,180</u>	<u>\$ 423,307</u>	<u>\$ 89,600</u>	<u>\$ 50,360</u>	<u>\$ 32,010</u>	<u>\$ 26,424</u>

\* Unaccreted Appreciation represents the amount to be accreted in future years regardless of the timing of cash flows.

\*\* The Tobacco Asset-Backed Bond Principal Debt Service requirements are based upon expected Turbo Principal payments.

c. Change in Long-Term Liabilities

Additions to governmental activities long-term debt for contracts, notes and loans payable may differ from proceeds reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, due to funding received in prior fiscal years being converted from short-term to long-term debt as a result of developers extending the terms of the obligation.

The following is a summary of changes in governmental activities long-term liabilities for the year ended June 30, 2011. The effect of bond accretion, bond premiums, discounts, and deferred amounts on refunding are amortized as adjustments to long-term liabilities.

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Arbitrage Liability	\$ 3	\$ -	\$ -	\$ 3	\$ -
Compensated Absences	73,431	53,427	(53,406)	73,452	31,340
Liability Claims	318,914	29,944	(35,266)	313,592	36,259
Capital Lease Obligations	84,561	366	(16,909)	68,018	17,276
Qualified Energy Conservation Bonds					
Lease Obligation	-	13,142	-	13,142	750
Contracts Payable	1,018	24,419	(1,018)	24,419	4,699
Notes Payable	3,301	133	(3,434)	-	-
Loans Payable	79,395	345	(43,119)	36,621	8,061
Section 108 Loans Payable	31,496	-	(15,154)	16,342	1,154
General Obligation Bonds	4,340	-	(2,100)	2,240	2,240
Revenue Bonds / COPs	547,260	-	(15,710)	531,550	15,330
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(2,178)	-	164	(2,014)	(164)
Net Revenue Bonds/COP's	545,082	-	(15,546)	529,536	15,166
Tax Allocation Bonds	529,423	106,400	(20,328)	615,495	21,569
Interest Accretion	16,535	2,243	(392)	18,386	-
Balance with Accretion	545,958	108,643	(20,720)	633,881	21,569
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	5,071	(1,543)	(162)	3,366	162
Net Tax Allocation Bonds	551,029	107,100	(20,882)	637,247	21,731
Tobacco Settlement Asset-Backed Bonds	92,350	-	(2,750)	89,600	4,400
Pooled Financing Bonds	32,780	-	(770)	32,010	825
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(90)	-	18	(72)	(18)
Net Pooled Financing Bonds	32,690	-	(752)	31,938	807
Net Other Postemployment Benefits Obligation	118,431	49,388	-	167,819	-
Net Pension Obligation	116,418	801	-	117,219	-
Total	<u>\$ 2,052,459</u>	<u>\$ 279,065</u>	<u>\$ (210,336)</u>	<u>\$ 2,121,188</u>	<u>\$ 143,883</u>

d. Long-Term Pledged Liabilities

Governmental long-term pledged liabilities as of June 30, 2011 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>
<b><u>Pledged CDBG Revenue:</u></b>				
Section 108 Loans Payable		\$ 13,040	\$ 16,916	\$ 16,839
<b>Total Pledged CDBG Revenue</b>		<b>13,040</b>	<b>16,916</b>	<b>16,839</b>
<b><u>Pledged Developer Revenue:</u></b>				
Regional Transportation Center Redevelopment Project (Section 108)	2021	2,121	266	266
<b>Total Pledged Developer Revenue</b>		<b>2,121</b>	<b>266</b>	<b>266</b>
<b><u>Pledged Development Impact Fee (DIF) Revenue:</u></b>				
Kearny Mesa Reimbursement Agreement, dated June 2005		3,644	-	-
<b>Total Pledged Development Impact Fee (DIF) Revenue:</b>		<b>3,644</b>	<b>-</b>	<b>-</b>
<b><u>Pledged Facilities Benefit Assessment (FBA) Revenue:</u></b>				
Facilities Financing Reimbursement Agreement Obligations		20,775	-	-
<b>Total Pledged Facilities Benefit Assessment (FBA) Revenue</b>		<b>20,775</b>	<b>-</b>	<b>-</b>
<b><u>Pledged Net Operating Revenue (Parking):</u></b>				
Centre City Parking Revenue Bonds, Series 1999 A	2026	14,157	954	964
Centre City Parking Revenue Bonds, Series 2003 B	2027	23,870	1,504	1,516
<b>Total Pledged Net Operating Revenue (Parking)</b>		<b>38,027</b>	<b>2,458</b>	<b>2,480</b>
<b><u>Pledged Tax Increment Revenue:</u></b>				
<b><u>Contracts</u></b>				
Contract Payable to Western Pacific Housing, Inc., dated April 2004	2011	-	1,042	1,042
<b><u>Notes</u></b>				
Note Payable to Price Charities, dated April 2001	2011	-	1,675	-
Note Payable to Price Charities, dated May 2005	2011	-	1,715	-
Amendment to Note Payable to Price Charities, dated February 2006	2011	-	188	-
<b><u>Loans</u></b>				
International Gateway Associates, LLC, dated October 2001	2011	-	1,945	-
PCCP/SB Las America, LLC, dated August 2005	2011	-	1,333	-
San Diego National Bank, Line of Credit, dated July 2007 City Heights Housing Area	2011	-	4,192	-
San Diego National Bank, Line of Credit, dated July 2007 City Heights Non-Housing Area	2011	-	2,067	-
San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Housing Area	2011	-	5,641	-

<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>
San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Non-Housing Area	2011	\$ -	\$ 12,339	\$ -
San Diego National Bank, Line of Credit, dated July 2007 North Bay Housing Area	2011	-	8,639	-
San Diego National Bank, Line of Credit, dated July 2007 North Park Housing Area	2011	-	7,371	-
Naval Training Center Civic, Arts, and Cultural Center (Section 108)	2025	7,047	507	507
<b><u>Bonds</u></b>				
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995	2011	-	508	391
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	2020	831	95	169
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	2016	5,548	1,117	1,113
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	2019	27,748	2,835	2,850
Centre City Redevelopment Tax Allocation Bonds, Series 1999 B	2014	7,548	2,586	2,584
Centre City Redevelopment Tax Allocation Bonds, Series 1999 C	2025	15,585	794	760
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	2029	7,643	426	426
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	2029	29,606	825	825
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	2025	6,322	447	438
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	2025	24,464	1,456	1,414
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	2022	16,110	1,344	1,341
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	2031	18,011	897	868
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	2031	9,713	481	465
Centre City Redevelopment Tax Allocation Bonds, Series 2001 A	2027	104,035	2,564	2,532
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	2027	5,049	153	229
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	2029	19,936	585	-
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	2034	9,740	315	315
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B	2014	271	92	92

(continued on next page)

<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>
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	2022	\$ 8,866	\$ 310	\$ 301
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	2022	5,527	295	274
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	2022	8,661	797	784
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	2028	8,888	544	544
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	2034	10,670	259	259
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	2030	131,832	7,510	5,591
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 B	2011	-	1,197	1,197
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	2030	37,434	2,224	2,234
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	2030	12,126	721	708
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A	2033	116,763	4,358	4,165
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B	2032	56,115	2,640	3,624
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 A	2038	29,688	1,399	2,321
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 B	2038	28,746	1,216	1,717
Centre City Redevelopment Project Tax Allocation Bonds, Series 2008 A	2021	79,757	8,053	9,014
North Park Redevelopment Project Tax Allocation Bonds, Series 2009 A	2040	36,598	954	628
City Heights Redevelopment Project Tax Allocation Bonds, Series 2010 A	2041	14,609	163	163
City Heights Redevelopment Project Tax Allocation Bonds, Series 2010 B	2038	25,676	363	363
Crossroads Redevelopment Project Tax Allocation Bonds, Series 2010 A	2041	11,022	142	142
Housing Set-Aside Tax Allocation Bonds, Series 2010 A	2041	156,124	2,261	2,261
Naval Training Center Redevelopment Project Tax Allocation Bonds, Series 2010 A	2041	40,176	530	530
San Ysidro Redevelopment Project Tax Allocation Bonds, Series 2010 A	2041	7,458	86	86
San Ysidro Redevelopment Project Tax Allocation Bonds, Series 2010 B	2036	10,906	185	185
<b>Total Pledged Tax Increment Revenue</b>		<u>1,152,849</u>	<u>102,381</u>	<u>55,452</u>
<b>Pledged Tobacco Settlement Revenue:</b>				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	2023	139,960	9,330	9,019
<b>Total Pledged Tobacco Settlement Revenue</b>		<u>139,960</u>	<u>9,330</u>	<u>9,019</u>
<b>Total Pledged Revenue</b>		<u>\$ 1,370,416</u>	<u>\$ 131,351</u>	<u>\$ 84,056</u>

## 6. BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES (IN THOUSANDS)

### a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2011 are comprised of the following:

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2011</u>
<b>Arbitrage Liability</b>				\$ 25
<b>Compensated Absences</b>				13,502
<b>Liability Claims</b>				15,680
<b><u>Loans Payable:</u></b>				
Loans Payable to San Diego County Water Authority	-	-	\$ 217	217
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80%**	2020	10,606	5,246
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80%**	2022	6,684	3,971
Loans Payable to State Water Resources Control Board, issued March 30, 2001	1.80%**	2022	33,720	20,026
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80%**	2022	7,742	4,597
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80%**	2021	860	469
Loans Payable to State Water Resources Control Board, issued June 11, 2001	1.80%**	2021	2,525	1,375
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.99%**	2020	3,767	2,051
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.80%**	2023	8,068	5,181
Loans Payable to State Water Resources Control Board, issued December 14, 2005	1.89%**	2024	10,093	7,285
Loans Payable to Department of Health Services, issued July 6, 2005	2.51%**	2026	21,525	16,634
Loans Payable to State Water Resources Control Board, issued October 15, 2006	1.99%**	2024	3,858	2,920
Loans Payable to State Water Resources Control Board, issued February 28, 2007	1.89%**	2026	11,068	9,053
Loans Payable to Department of Health Services, issued May 30, 2011	2.31%**	2032	12,000	12,000
<b>Total Loans Payable</b>				<u>91,025</u>

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2011</u>
<b>Bonds Payable:</b>				
Subordinated Water Revenue Bonds, Series 2002	2.0 - 5.0*	2033	\$ 286,945	\$ 243,520
Senior Sewer Revenue Bonds, Series 2009 A	2.0-5.375*	2039	453,775	439,890
Senior Sewer Revenue Refunding Bonds Series 2009 B	3.0-5.5*	2025	634,940	562,885
Water Revenue Refunding Bonds, Series 2009 A	2.5-5.25*	2039	157,190	155,045
Water Revenue Bonds, Series 2009 B	2.5-5.75*	2040	328,060	322,815
Senior Sewer Revenue Refunding Bonds Series 2010 A	5.25*	2029	161,930	161,930
Water Revenue Refunding Bonds, Series 2010 A	5.0-5.25*	2029	123,075	<u>123,075</u>
<b>Total Bonds Payable</b>				<u>2,009,160</u>
<b>Estimated Landfill Closure and Postclosure Care</b>				20,845
<b>Net Other Postemployment Benefits Obligation</b>				48,161
<b>Net Pension Obligation</b>				<u>23,391</u>
<b>Total Business-Type Activities Long-Term Liabilities</b>				<u>\$ 2,221,789</u>

\* Interest rates are fixed, and reflect the range of rates for various maturities from the date of issuance to maturity.

\*\* Effective rate



b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2011, including interest payments to maturity, are as follows:

Year Ended June 30	Loans Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2012	\$ 6,333	\$ 1,787	\$ 66,420	\$ 100,084
2013	6,476	1,711	69,275	97,235
2014	6,604	1,583	72,485	94,022
2015	6,735	1,453	75,895	90,615
2016	6,868	1,319	79,960	87,047
2017-2021	35,552	4,498	458,355	373,524
2022-2026	18,590	1,403	483,630	251,690
2027-2031	3,495	269	326,590	140,042
2032-2036	372	4	215,375	73,600
2037-2041	-	-	161,175	17,462
Total	<u>\$ 91,025</u>	<u>\$ 14,027</u>	<u>\$ 2,009,160</u>	<u>\$ 1,325,321</u>

c. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011. The effect of bond premiums, discounts and deferred amounts on refunding are reflected as adjustments to long-term liabilities.

	Business-Type Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Arbitrage Liability	\$ -	\$ 25	\$ -	\$ 25	\$ -
Compensated Absences	13,327	11,200	(11,025)	13,502	6,069
Liability Claims	23,715	6,895	(14,930)	15,680	3,930
Loans Payable	84,673	12,117	(5,765)	91,025	6,333
Revenue Bonds Payable	2,073,075	-	(63,915)	2,009,160	66,420
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	54,307	-	(2,938)	51,369	2,938
Net Revenue Bonds Payable	2,127,382	-	(66,853)	2,060,529	69,358
Estimated Landfill Closure/Postclosure Care	20,126	719	-	20,845	-
Net Other Postemployment Benefits Obligation	33,239	14,922	-	48,161	-
Net Pension Obligation	23,190	201	-	23,391	-
Totals	<u>\$ 2,325,652</u>	<u>\$ 46,079</u>	<u>\$ (98,573)</u>	<u>\$ 2,273,158</u>	<u>\$ 85,690</u>

d. Long-Term Pledged Liabilities

Business-type activities long-term pledged liabilities as of June 30, 2011 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>
<b><u>Pledged Net Sewer Systems Revenue:</u></b>				
<b><u>Loans</u></b>				
Loans Payable to State Water Resources Control Board, issued February 9, 2000	2020	\$ 5,731	\$ 637	\$ 637
Loans Payable to State Water Resources Control Board, issued February 9, 2000	2022	4,413	401	401
Loans Payable to State Water Resources Control Board, issued March 30, 2001	2022	22,272	2,025	2,025
Loans Payable to State Water Resources Control Board, issued May 17, 2001	2022	5,109	464	464
Loans Payable to State Water Resources Control Board, issued May 17, 2001	2021	516	52	52
Loans Payable to State Water Resources Control Board, issued June 11, 2001	2021	1,516	152	152
Loans Payable to State Water Resources Control Board, issued October 3, 2002	2020	2,260	251	251
Loans Payable to State Water Resources Control Board, issued October 3, 2002	2023	5,809	484	484
Loans Payable to State Water Resources Control Board, issued December 14, 2005	2024	8,287	637	637
Loans Payable to State Water Resources Control Board, issued October 15, 2006	2024	3,344	257	257
Loans Payable to State Water Resources Control Board, issued February 28, 2007	2026	10,485	699	699
<b><u>Bonds and Notes</u></b>				
Senior Sewer Revenue Bonds, Series 2009 A	2039	800,546	28,984	28,081
Senior Sewer Revenue Refunding Bonds, Series 2009 B	2025	781,592	65,003	63,783
Senior Sewer Revenue Refunding Bonds, Series 2010 A	2029	289,846	8,501	8,138
<b>Total Pledged Net Sewer Systems Revenue</b>		<u>1,941,726</u>	<u>108,547</u>	<u>106,061</u>
<b><u>Pledged Net Water Systems Revenue:</u></b>				
<b><u>Loans</u></b>				
Loans Payable to Department of Health Services, issued July 6, 2005	2026	19,951	1,376	1,376
Loans Payable to Department of Health Services, issued May 30, 2011	2032	15,051	-	-
<b><u>Bonds and Notes</u></b>				
Subordinated Water Revenue Bonds, Series 2002	2033	369,608	27,293	27,028
Water Revenue Refunding Bonds, Series 2009 A	2039	245,249	8,680	8,673
Water Revenue Bonds, Series 2009 B	2040	630,352	21,736	21,590
Water Revenue Refunding Bonds, Series 2010 A	2029	217,288	3,699	3,598
<b>Total Pledged Net Water Systems Revenue</b>		<u>1,497,499</u>	<u>62,784</u>	<u>62,265</u>
<b>Total Pledged Revenues</b>		<u>\$ 3,439,225</u>	<u>\$ 171,331</u>	<u>\$ 168,326</u>

## 7. DISCRETELY PRESENTED COMPONENT UNITS LONG-TERM DEBT (In Thousands)

Narratives and tables presented in the following sections are taken from the audited financial statements of the San Diego Convention Center Corporation and the comprehensive annual financial report of the San Diego Housing Commission as of June 30, 2011.

### San Diego Convention Center Corporation

<u>Type of Obligation</u>	<u>Interest Rate</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2011</u>	<u>Due Within One Year</u>
Compensated Absences				\$ 1,340	\$ 1,291
Notes Payable:					
Fifth Avenue Landing LLC	5.27%	2015	12,500	12,500	-
San Diego Gas and Electric Sustainable Energy	0.00%	2012	353	353	184
Redevelopment Agency of the City of San Diego	3.00%	2018	3,000	3,000	-
Total Notes Payable				15,853	184
Total Long-Term Liabilities				\$ 17,193	\$ 1,475

Effective February 24, 1999, SDCCC entered into a Note Purchase Contract with the Port for \$10,000, the proceeds of which were used to pay for the direct and incidental costs of the Sails Pavilion Enhancement project completed in July 2000. SDCCC repays the note at zero percent per annum rate to the Port. During the year ended June 30, 2011, SDCCC made the final payment in the amount of \$500 to the Port.

SDCCC entered into a Note Purchase Contract on May 6, 2010 for \$12,500 with Fifth Avenue Landing, LLC, the proceeds of which were used for the Phase III expansion site ground lease purchase. The Fifth Avenue Landing LLC note payable is repaid at the rate of 5.27% per annum with a \$12,500 principal payment due by May 6, 2015. SDCCC is required to pay an annual interest payment of \$500, while the remaining accrued interest owed in any one year is payable at the date of final maturity.

On December 6, 2010, SDCCC entered into a Financing Loan Agreement with San Diego Gas & Electric (SDG&E) for \$353, the proceeds of which were used to retrofit energy efficient/demand lighting equipment in the Convention Center exhibit halls. SDG&E contracted with a third party to perform the installation work and extend financing to SDCCC at a zero percent per annum rate. Upon final inspection of the completed project, SDG&E paid the third party contractor for the work performed and will collect the balance of the note payable through an on-bill financing arrangement set forth in 23 equal installments through SDCCC's monthly utility bill.

SDCCC entered into a Note Purchase Contract with the Redevelopment Agency of the City of San Diego on March 16, 2011 for \$3,000, the proceeds of which were earmarked for certain design and planning costs for the Phase III expansion project. The note payable to the RDA is repaid at a rate of 3% per annum, simple interest. The \$3,000 principal payment, plus any accrued interest, is due by June 30, 2018.

Annual requirements to amortize long-term debt as of June 30, 2011, are as follows:

Notes Payable		
Fiscal Year Ended	Principal	Interest
June 30		
2012	\$ 184	\$ 500
2013	169	500
2014	-	500
2015	12,500	1,297
2016	-	-
2017-2018	3,000	637
Total	<u>\$ 15,853</u>	<u>\$ 3,434</u>

**San Diego Housing Commission (SDHC)**

<u>Type of Obligation</u>	<u>Interest Rate</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2011</u>	<u>Due Within One Year</u>
Compensated Absences				\$ 1,529	\$ 1,529
Notes Payable:					
<u>Debts of SDHC</u>					
JPMorgan Chase, dated June 1995	Variable	2012	\$ 4,725	2,949	2,949
State of California (RHCP)	0.00%	2015	3,149	3,149	-
State of California (RHCP)	0.00%	2014	1,405	1,405	-
US Bank, dated November 2006	Variable	2012	20,550	19,508	19,508
Redevelopment Agency, dated March 1992	0.00% forgivable	2022	696	696	-
Redevelopment Agency, dated March 18, 2010	1.00% forgivable	2065	3,099	3,338	-
<u>Debts of the LLCs</u>					
Greystone Servicing Corp, Inc. Fannie Mae (Belden)	7.32%	2040	12,320	12,151	130
Greystone Servicing Corp, Inc. Fannie Mae (Northern)	7.32%	2040	10,810	10,662	115
Greystone Servicing Corp, Inc. Fannie Mae (Central)	7.32%	2040	14,010	13,817	148
PNC Bank, NA FHA (Southern)	3.76%	2046	25,017	24,754	362
PNC Bank, NA FHA (Northern)	3.76%	2046	17,500	17,317	253
PNC Bank, NA FHA (Central)	3.65%	2046	15,726	15,576	232
Total Notes Payable				<u>125,322</u>	<u>23,697</u>
Total Long-Term Liabilities				<u>\$ 126,851</u>	<u>\$ 25,226</u>

The interest rate for the JP Morgan Chase obligation as of June 30, 2011 was 3.0%. The variable rate in accordance with the loan agreement is equal to .65 times the sum of the Variable Index Rate plus 3.0%. The Variable Index Rate is defined as the most recently available monthly weighted average cost of funds for 11<sup>th</sup> District Savings Institutions published by the Federal Home Loan Bank of San Francisco.

The interest rate for the US Bank obligation as of June 30, 2011 was 2.441%. The variable interest rate in accordance with the loan agreement is 2.6% plus LIBOR.

SDHC entered into an Interest Rate Swap Agreement with US Bank (the Swap Provider) to reduce the impact of changes in interest rates. Under the terms of the Swap Agreement, SDHC has agreed to pay interest to the Swap

Provider at a fixed rate of 5.29% plus 2.6% exclusive of any fees, add-ons or other trustee or bank charges, while the Swap Provider has agreed to make SDHC's required monthly mortgage payment. The notional amount of the Swap Agreement is \$19,766. The Swap Agreement expired at maturity of the mortgage in 2011.

Pursuant to GASB No. 53, derivative instruments not meeting the criteria for hedge accounting are recorded at fair value on the Statement of Net Assets with any change in fair value reflected in the Statement of Activities in the period of change. SDHC recorded a liability for the fair value of the interest rate swap as of June 30, 2011 in the amount of \$417. During the year ended June 30, 2011, a gain in fair value of \$859 was realized and is included in the Statement of Activities.

The US Bank loan represents the loan for the Smart Corner Building which houses the administrative offices of SDHC, which was due October 31, 2011.

SDHC entered into a loan agreement with the RDA as of March 18, 2010, for the acquisition and rehabilitation of the Sandford Hotel. The loan from the RDA is a forgivable loan, with a term of 55 years and 1% simple interest. The total approved loan amount is \$6,095 with \$3,338 having been disbursed as of June 30, 2011.

On December 30, 2009, Belden SDHC FNMA LLC, Central SDHC FNMA LLC and Northern SDHC FNMA LLC (blended component units of the SDHC) entered into debt agreements with Greystone Servicing Corp. Inc. in the amount of \$37.1 million. The debt agreement is to obtain financing towards acquiring over 350 affordable housing units in the City. The FNMA loans were nonrecourse obligations of the LLCs and not of the SDHC. Under the terms of the loan agreements, the LLCs agreed to pay a fixed interest rate of 7.32% on the life of the loan through maturity on January 1, 2040.

On August 31, 2010, Northern SDHC FHA LLC and Southern SDHC FHA LLC (blended component units of the SDHC) entered into debt agreements with PNC Bank, N.A. for the combined total amount of \$58,300. The debt agreements are to obtain financing to acquire additional affordable housing units in the City. The FHA loans are nonrecourse obligations of the LLCs and not of the SDHC. Under the terms of the loan agreements, the LLCs agreed to pay a fixed interest rate not to exceed 4% on the life of the loan through maturity on September 1, 2045 and October 1, 2045 respectively.

The American Recovery and Reinvestment Act of 2009 created the new Build America Bond (BABs) program. Under this program, state and local governments receive directly from the U.S. Treasury subsidy payments for a portion of their borrowing costs on BABs equal to 35 percent of the total coupon interest paid. The subsidy stream is paid for the full term of the bonds. The Belden SDHC FNMA LLC, Northern SDHC FHA LLC and the Southern SDHC FHA LLC loans have been approved as qualified direct subsidy BABs. SDHC has received \$781 in fiscal year 2011 subsidy payments.

The annual requirements to amortize such long-term liabilities as of June 30, 2011 are as follows:

<u>Notes Payable</u>		
<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30</u>		
2012	\$ 23,697	\$ 5,318
2013	1,302	4,743
2014	2,772	4,677
2015	4,585	4,608
2016	1,509	4,535
2017-2021	8,796	21,425
2022-2026	12,068	18,848
2027-2031	14,819	15,402
2032-2036	19,463	10,758
2037-2041	21,211	4,672
2042-2046	11,762	980
2065	3,338	3,318
Total	<u>\$ 125,322</u>	<u>\$ 99,284</u>

**8. SHORT-TERM NOTES PAYABLE (In Thousands)**

The City issues Tax and Revenue Anticipation Notes (TRANs) in advance of property tax collections, depositing the proceeds into the General Fund. These notes are necessary to meet the cash requirements of the City prior to the receipt of property taxes.

Short-term debt activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax and Revenue Anticipation Notes	\$ -	\$ 163,165	\$ (163,165)	\$ -

The \$163,165 (FY11) TRANs issue had an interest rate of 2.0% and the final note was repaid on May 27, 2011.



**9. JOINT VENTURE and JOINTLY GOVERNED ORGANIZATIONS (In Thousands)**San Diego Medical Services Enterprise, LLC

A joint venture is a legal entity or other organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. San Diego Medical Services Enterprise, LLC (SDMSE) is a joint venture that is reported within the General Fund, in accordance with GASB Statement No. 14.

Prior to July 1, 2011, the SDMSE partners were the City of San Diego and Rural/Metro of San Diego, Inc., a wholly owned subsidiary of Rural/Metro Corporation. The SDMSE governing board of managers was comprised of five members, three of whom were appointed by the City.

SDMSE was organized on May 2, 1997 to provide emergency medical services and medical transportation services to the citizens of San Diego. Operations began July 1, 1997, and continued until June 30, 2011. On July 1, 2011, the City sold its interest in SDMSE to Rural/Metro of San Diego, Inc. and Rural/Metro of Southern California, Inc. The City no longer has any partnership interest in SDMSE. As of July 1, 2011, the City has an agreement with Rural/Metro of San Diego, Inc. to provide emergency medical services and medical transportation services within the City through June 30, 2013.

Complete financial statements can be requested from San Diego Medical Services Enterprise, LLC, 8401 East Indian School Road, Scottsdale, Arizona 85251.

San Diego Workforce Partnership

The City of San Diego and the County of San Diego jointly govern the San Diego Workforce Partnership (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 purpose of the Consortium is to provide regional employment and training services in order to develop and create job opportunities throughout San Diego County. The Consortium is empowered to make applications for and receive grants from governmental or private sources. The City does not appoint a majority of the Consortium Board, is not able to impose its will on the Consortium, and the Consortium is not fiscally dependent on the City. Therefore, it is the City's conclusion that the Consortium is a governmental organization with a jointly appointed board and not a component unit of the City. However, in the event the Consortium incurs a liability it cannot financially sustain, the City and the County have agreed to share in the payment of such an obligation.

Complete financial statements can be requested from San Diego Workforce Partnership, Inc. 3910 University Avenue, Suite 400, San Diego, CA 92105.

San Diego Geographic Information Source (SanGIS)

SanGIS was created in July 1997 as a joint powers agreement between the City of San Diego and the County of San Diego. 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.

Complete financial statements can be requested from SanGIS, 5469 Kearny Villa Road, Suite 102, San Diego, CA 92123.

**10. LEASE COMMITMENTS (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 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 and structures. These capital leases have maturity dates ranging from July 1, 2011 through October 1, 2023 and interest rates ranging from 1.89% to 4.88%. A schedule of future minimum lease payments under capital leases as of June 30, 2011 is provided in Note 5. The value of all governmental capital leased assets as of June 30, 2011 is \$90,580 net of accumulated depreciation of \$116,563. These amounts are categorized by major asset class in the table below.

<b>Values of Capital Leased Assets by Major Asset Class</b>			
	Gross Value	Depreciation	Net Book Value
<u>Governmental</u>			
Equipment	\$ 158,916	\$ (70,908)	\$ 88,008
Structures & Improvement	48,227	(45,655)	2,572
Total Governmental	<u>\$ 207,143</u>	<u>\$ (116,563)</u>	<u>\$ 90,580</u>

Operating Leases

The City's operating leases consist primarily of rental property occupied by City departments. 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, 2011:

Year Ended June 30	Amount
2012	\$ 11,856
2013	11,721
2014	7,397
2015	782
2016	529
2017-2021	2,459
Total	<u>\$ 34,744</u>

Rent expense as related to operating leases was \$11,716 for the year ended June 30, 2011.

Lease Revenues

The City has operating leases for certain land, buildings, and facilities with tenants and concessionaires. Leased capital asset carrying values of approximately \$81,644, as well as depreciation, are reported in Note 4 and are consolidated with non-leased assets. Minimum annual lease revenues are reported in the following schedule:

Year Ended June 30	Amount
2012	\$ 37,469
2013	36,251
2014	35,022
2015	34,319
2016	33,672
2017-2021	152,395
2022-2026	138,270
2027-2031	130,307
2032-2036	117,818
2037-2041	111,356
2042-2046	99,297
2047-2051	52,663
2052-2056	18,087
2057-2061	8,991
Total	<u>\$ 1,005,917</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 \$77,183 for the year ended June 30, 2011, which includes contingent rentals of \$39,918.

**11. DEFERRED COMPENSATION PLAN (In Thousands)**

The City, SDCCC, SDDPC 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 plan are held in trust for the exclusive benefit of plan participants and their beneficiaries. The deferred compensation plans are not considered part of the City's financial reporting entity.

**12. PENSION PLANS (In Thousands)**

The City has a defined benefit pension plan and various defined contribution pension plans covering substantially all of its employees.

**DEFINED BENEFIT PLAN****a. Plan Description**

San Diego City Employees' Retirement System (SDCERS), as authorized by Article IX of the City Charter, is a public employee retirement system established in fiscal year 1927 by the City. SDCERS administers independent, qualified, single employer governmental defined benefit plans and trusts for the City, the Port and the Airport. The assets of the three separate plans and trusts are pooled in the SDCERS Group Trust. 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 City employees or retirees. As of January 1, 2007, 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 working half-time or greater and full-time employees of the Port and the Airport are eligible for membership and are required to join SDCERS. The Port and Airport are not component units of the City per GASB Statement No. 14; however, the financial statements of SDCERS Pension Trust do include the Port and the Airport activity and are reported in the trust and agency section of the CAFR.

The information disclosed in this note relates solely to the City's participation in SDCERS. City employment classes participating in the City's defined benefit plan (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.

City of San Diego Plan Membership as of June 30, 2011 (actual member count)

	General	Safety	Total by Classification
Active Members	5,498	2,294	7,792
Terminated Members	2,365	529	2,894
Retirees, Disabled and Beneficiaries	4,755	3,147	7,902
Total Members, as of June 30, 2011	12,618	5,970	18,588

Source: Cheiron Actuarial Valuation as of June 30, 2011

As a defined benefit plan, retirement benefits are determined under the 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 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 or the highest average salary earned over three one-year periods, depending on the member's hire date. To qualify for a service retirement benefit, the 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. 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 hiring date. The actual percentage of final compensation per year served component of the calculation rises as the employee's retirement age increases and depends on the retirement option selected by the employee. The maximum percentage of final compensation per year served is 2.8% for general members, 3% for safety members and 3.5% for elected officers. Depending on the number of years of service, participants of the Elected Officer's Retirement 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.

#### Deferred Retirement Option Plan (DROP)

The Deferred Retirement Option Plan (DROP) is a program designed to allow members an alternate method of accruing additional retirement benefits from the 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 must agree to participate in the program for a specific period, up to a maximum of five years. 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. Effective January 1, 2011, the annual interest credited to DROP participant accounts is 2.3% while the participant is employed by the City. 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 over either 240 months or the participant's life expectancy. The DROP annuity factor used to calculate the monthly payments is 4.8% effective January 1, 2011. Outstanding liabilities for DROP are shown on the Statement of Fiduciary Net Assets in the basic financial statements. During the period of participation, the participant continues to receive most of the employer offered benefits available to regular employees with exception to earning service credit, as previously discussed.

#### Purchase of Service Credits

Plan members hired prior to July 1, 2005 are permitted to purchase service credits to be used in determining retirement allowances. The cost of purchased service credits is determined by the Board consistent with the requirements of the San Diego Municipal Code (SDMC).

Prior to August 15, 2003, the cost of purchased service credits to employees was priced below actual cost. On August 15, 2003, the Board became aware of and corrected the under-pricing; however, the Board continued to allow employees to purchase service credits at the below-cost rate until November 1, 2003, in violation of the Municipal Code. In November 2007, the City challenged this action in court and in November 2008, the trial court ruled, and in June 2010 an appellate court later affirmed, that the employees had underpaid for the purchased service credits and that the Board was prohibited from requiring the City make up the underfunded amount by including it in the UAAL. The Board has determined not to further appeal this ruling and the costs associated with the under-priced purchased service credits will not be borne by the City. SDCERS has implemented corrections

for the under-priced purchased service credits, which include refunding purchased amounts, requiring additional payments from employees, or reducing credits purchased to the amount of the actual payments received. According to the June 30, 2011 actuarial valuation, the City's UAAL has been reduced by approximately \$64,800 as a result of the purchased service credit cost recovery process.

#### Preservation of Benefits Plan

The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under Internal Revenue Code (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 San Diego Municipal Code 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. SDCERS has established procedures to pay for these benefits on a pay-as-you-go basis which is funded by the City.

In Fiscal Year 2011, approximately \$1,300 in benefits above 415(b) limits were paid by the City for the POB Plan. The number of participants in any given year for the POB Plan is determined by the number of 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 the calendar year 2011 was \$195 and, for non-safety members, is adjusted downward depending on the age of the participant when benefits began. In fiscal year 2011, the City's POB ARC was approximately \$1,800; however, the City contributed approximately \$1,300 to the POB Plan, and therefore, the \$500 difference increased the City's Net Pension Obligation (NPO). Additionally, the Actuarial Accrued Liability (AAL) related to the POB Plan is approximately \$9,144 as of July 1, 2010 which is required to be paid on a pay-as-you-go basis. Financial statements for the Preservation of Benefits Plan are included in the Trust & Agency section of this report.

#### b. Summary of Significant Accounting Policies – Pension

*Basis of Accounting* - The pension trust fund uses the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as additions in the period in which the contributions are due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the Plan.

*Method Used to Value Investments* - SDCERS' investments are stated at fair value. The SDCERS custodial agent provides market values of invested assets with the exception of the fair value of directly owned real estate assets which are provided by the responsible investment manager and independent third party appraisal firms. Additionally, private equity assets are valued by the private equity managers giving consideration to the financial condition and operating results of the portfolio companies, and other factors deemed relevant. Investment income is recognized in accordance with GASB 25 and is stated net of investment management fees and related expenses.

#### c. Contributions and Reserves - Disclosure Related to Long - Term Contracts and Other Agreements

##### **Offset Agreements**

The City has historically negotiated employee retirement contribution offsets with certain employee groups meaning the City has paid a portion of the employees' retirement contributions. For instance, in fiscal year 2009, the City made offset payments of employee retirement contributions ranging from 5.89 percent for elected officials and 1.4 percent for employees represented by the Municipal Employees Association (MEA), which represents

white-collar workers. All eligible employees received some level of contribution offset. In recent years, such offsets have been reduced and for fiscal year 2012, the City has only two such arrangements. The City currently pays retirement contribution offsets of 2.3% for members of Teamsters Local 911, which represents employees in the lifeguard service, and 0.4% for members of MEA.

#### **Funding Commitments Related to Legal Settlements—McGuigan Settlement**

The City employer contributions for fiscal years 1996 – 2005 were not based on the full actuarial rates. Instead, employer contributions were less than the full actuarial rates in accordance with agreements between the City and SDCERS, commonly referred to as Manager's Proposal 1 (MP-1) and Manager's Proposal 2 (MP-2). The underfunding of the pension system resulted in numerous lawsuits, most of which have been settled by the City.

In September 2006, the City entered into a settlement of McGuigan v. City of San Diego (McGuigan Settlement) related to the underfunding by the City of the pension system. Under the McGuigan Settlement, the City was obligated to pay into SDCERS approximately \$173,000 in excess of its required contributions no later than June 8, 2011. Prior to fiscal year 2010, the City made approximately \$144,000 in additional payments to SDCERS to meet, in part, the terms of the McGuigan Settlement and, on June 30, 2010, entered into an agreement with Bank of America to satisfy the remaining obligation. Under the terms of the agreement, the bank made payment to SDCERS on behalf of the City in an amount of approximately \$32,800. The City is required to repay the bank in four annual payments of approximately \$9,000 commencing July 1, 2011. In addition to the payment made to SDCERS by the bank on behalf of the City, the City contributed an additional \$5,600 of accrued interest to SDCERS. The McGuigan Settlement was fully funded by the arrangement with Bank of America described above, the securitization of future tobacco revenue, transfers of actual tobacco revenue receipts, additional employee "pick up" savings, and City contributions made in excess of the ARC.

#### **d. Funding Policy and Contribution Rates**

City Charter Article IX Section 143 requires employees and employers to contribute to the 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 Plan. The Charter requires that employer contributions for normal retirement allowances be substantially equal to employee contributions. SDCERS' legal counsel has opined that this requirement applies to the current normal cost contribution only and not to changes in unfunded liabilities resulting from market or actuarial gains or losses. This matter is currently being litigated between SDCERS and the City.

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 annual required contribution as well as percentages of annual covered payroll. The entire expense of SDCERS' administration is charged against the earnings and Plan assets of SDCERS.



The following table shows the City's contribution rates (weighted average of each employee group) for fiscal year 2011, based on the valuation ended June 30, 2009, expressed as percentages of active payroll:

	Employer Contribution Rates		
	General Members	Elected Members	Safety Members
Normal Cost*	9.15%	30.53%	14.44%
Amortization Payment*	25.82%	39.15%	38.46%
Normal Cost Adjusted for Amortization Payment*	34.97%	69.68%	52.90%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	33.70%	69.68%	50.98%

\* Rates assume that contributions are made uniformly during the Plan year.

Normal Cost = The actuarial present value of pension plan benefits allocated to the current year by the actuarial cost method.

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

Members are required to contribute a percentage of their annual salary to the Plan on a biweekly basis. Rates vary according to entry age. For fiscal year 2011, the City employee contribution rates as a percentage of annual covered payroll averaged 9.89% for general members and 15.79% for safety members. A portion of an employee's share, depending on that employee's member class, may be paid by the City as a retirement offset. In fiscal year 2011, the amount paid by the City ranges from 0.00% to 3.4% of covered payroll for general members and the rate for safety Plan members ranges from 0.00% to 5.30%. Employee contribution offsets paid by the City, amounting to approximately \$6,482 in fiscal year 2011, are made from the City's operating budget. The amount paid on behalf of the employees has been renegotiated through the meet and confer process which reduced the amount of the employee contribution paid by the City.

On September 2, 2008, City Council approved O-19781 which amended Chapter 2, Article 4, Division 15 of the SDMC. The intent of the amendment was to eliminate the concept of "Surplus Earnings" (earnings in excess of those earned using the assumed actuarial rate of return) which was the historical term for the funds used to pay for supplemental and contingent benefits. In accordance with these revised SDMC sections, these benefits are distributed to various SDCERS system reserves, SDCERS budget, and contingent benefits. The order of distribution and a more detailed discussion of each distribution follows: First, Plan assets are used to credit interest, at a rate determined by the SDCERS Board, which is currently 7.75%, to the Employer and Employee Contribution Reserves and 2.3% to DROP member accounts. Second, Plan assets are used to fund the SDCERS Annual Budget. Third, Plan assets are distributed for supplemental or contingent payments or transfers to reserves. These items include in a priority order: 1) Annual Supplement Benefit Payment (13th Check) paid to retirees which ranges from \$30 to \$75 (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 to the next year and remain an obligation of SDCERS until paid). 3) Crediting interest to the Reserve for Supplemental Cost of Living Adjustment (SCOLA).

e. **Funded Status and Funding Progress**

The following table summarizes the Plan's funding status as reported in the fiscal year 2011 valuation:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2011	\$ 4,739,399	\$ 6,917,417	\$ 2,178,018	68.51%	\$ 514,265	423.52%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

f. **Annual Pension Cost and Net Pension Obligation**

**Annual Pension Cost**

The City's annual pension cost for fiscal year 2011 is based on the SDCERS June 30, 2009 Actuarial Valuation. The following table summarizes the principal actuarial methods and assumptions used in the June 30, 2009 and June 30, 2011 actuarial valuations:

Description	Method/Assumption for the Valuation Ended	
	June 30, 2009	June 30, 2011
Actuarial Method	Entry Age Normal (EAN) <sup>1</sup>	Entry Age Normal (EAN)
Amortization Method	Level Percent Closed	Level Percent Closed
Equivalent Single Amortization Period	16.209 years <sup>2</sup>	15.789 years <sup>3</sup>
Asset Smoothing Method	Expected Value Method	Expected Value Method
Annual Rate of Return on Investments	7.75%, net of administrative expenses	7.50%, net of administrative expenses
Inflation Rate	4.00% per year, compounded annually	3.75% per year, compounded annually
Cost of Living Adjustment	2.00% per year, compounded annually	2.00% per year, compounded annually
Projected Salary Increases Due to Inflation	4.00% per year	0% for the next 2 years, 3.75% thereafter

The actuarial value of assets was determined using a methodology that smoothes the effects of short-term volatility in the market value of investments. The valuations performed prior to fiscal year 2008 assumed an 8% annual rate of return. Additionally, the valuations performed prior to fiscal year 2007 amortized the UAAL over a fixed 30-year closed period. For valuations effective June 30 2007, the Board adopted a 20-year closed

<sup>1</sup> The entry age normal actuarial cost method is designed to fund a member's total plan benefit over the course of his or her career and to produce stable employer contributions in amounts that increase at the same rate as the employer's payroll (ie., level % of payroll). SDCERS adopted this actuarial cost method as of the June 30, 2007 Actuarial Valuation.

<sup>2</sup> 18 years for the outstanding balance of the 2007 unfunded actuarial liability, 15 years for experience gains and losses, 30 years for changes in methods and assumptions, 5 years for benefit changes.

<sup>3</sup> 16 years for the outstanding balance of the 2007 unfunded actuarial liability, 15 years for experience gains and losses, 30 years for changes in methods and assumptions, 5 years for benefit changes.

amortization schedule with no negative amortization and a 15-year closed amortization schedule for gains and losses beginning in fiscal year 2008.

The following table shows the City's annual pension cost (APC) and the percentage of APC contributed for the fiscal year ended June 30, 2011 and two preceding years (in thousands):

Fiscal Year Ended June 30	APC	Percentage Contributed	Net Pension Obligation
2009	\$ 167,529	97.66%	\$ 177,767
2010	156,346	124.01%	140,233
2011	231,432	99.56%	141,242

### Net Pension Obligation

Net Pension Obligation (NPO) is the cumulative difference, since the effective date of GASB Statement No. 27 (fiscal year 1998, with a 10-year look back), between the annual pension cost and the employer's contributions to the Plan. This includes the pension liability at transition (beginning pension liability) and excludes short-term differences and unpaid contributions that have been converted to pension-related debt. As of June 30, 2011, the City's NPO is approximately \$141,242 and is reported in accordance with GASB Statement No. 27. See table below.

The change to NPO is derived by first calculating the City's Annual Required Contribution (ARC). The ARC is calculated by actuarially determining the cost of pension benefits accrued during the year (normal cost) as well as the annual amount needed to amortize the UAAL (amortization cost) as reported by the actuary, in accordance with the amortization period and method selected. The ARC is then increased by interest accruing on any outstanding NPO (NPO Interest) and then reduced by the amortization of the UAAL that is related to the NPO (ARC Adjustment).

The following shows the calculation for NPO based on the actuarial information provided to the City (in thousands):

ARC [Fiscal Year 2011]	\$ 230,917
Interest on NPO	10,868
ARC Adjustment	<u>(10,353)</u>
Annual Pension Cost	231,432
Contributions [Fiscal Year 2011]	<u>(230,423)</u>
Change in NPO	1,009
NPO Beginning of Year [July 1, 2010]	140,233
NPO End of Year [June 30, 2011]	<u><u>\$ 141,242</u></u>

## 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 Plans 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 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. 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 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, 2011:

<u>Plan</u>	<u>Participants</u>
SPSP	7,601
SPSP – H	4,293

The SPSP Plan 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 also matched by City contributions.

Under the SPSP Plan, 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 cost.

In fiscal year 2011, the City and the covered employees contributed \$15,457 and \$19,555, respectively. As of June 30, 2011, the fair value of plan assets totaled \$573,604. SPSP is considered part of the City of San Diego's financial reporting entity and is reported as a pension and employee savings trust fund.

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

The City established a 401(a) Plan for all General Member employees hired on or after July 1, 2009. 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 and employees contributed \$90 and \$107, respectively, during the fiscal year ended June 30, 2011. As of June 30, 2011, the fair value of plan assets totaled \$349. The 401(a) Plan is considered part of the City's financial reporting entity and is reported as a pension and employee savings trust fund.

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

The City established a 401(k) Plan effective July 1, 1985. The 401(k) 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. Employees make contributions to their 401(k) Plan accounts through payroll deductions.

The employees' 401(k) contributions are based on IRS calendar year limits. Employees contributed \$14,481 during the fiscal year ended June 30, 2011. There is no City contribution towards the 401(k) Plan.

As of June 30, 2011, the fair value of plan assets totaled \$279,643. The 401(k) Plan is considered part of the City's financial reporting entity and is reported as a pension and employee savings trust fund.

d. **Pension Plan - Centre City Development Corporation (CCDC)**

CCDC has a Money Purchase Pension Plan covering all full-time permanent employees (CCDC Plan). The CCDC Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During the fiscal year, CCDC contributes semi-monthly an amount equal to 8% of the total semi-monthly compensation for all full-time permanent employees. CCDC's contributions for each employee are fully vested after six years of continuous service. CCDC's total payroll (excluding benefits) in fiscal year 2011 was \$3,371. CCDC's contributions were calculated using the base salary amount of all full-time permanent employees of \$3,280. CCDC made the required 8% contribution amounting to \$223 (net of forfeitures) for fiscal year 2011.

In addition, CCDC has a Tax Deferred Annuity Plan under IRC section 403(b) (403(b) Plan) covering all full-time permanent employees. The 403(b) 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. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each plan year, CCDC contributes semi-monthly an amount equal to 16% of the total semi-monthly compensation for eligible employees. CCDC's contributions for each employee are fully vested at time of contribution. The 403(b) Plan includes amounts deposited by employees prior to CCDC becoming a contributor to the 403(b) Plan. CCDC made the required 16% contribution amounting to approximately \$525 for fiscal year 2011.

The fiduciary responsibilities of CCDC consist of making contributions and remitting deposits collected. The City does not hold these assets in a trustee or agency capacity for CCDC; therefore, these assets are not reported within the City's basic financial statements.

e. **Pension Plan - San Diego Convention Center Corporation (SDCCC)**

SDCCC's Money Purchase Pension Plan (SDCCC Plan) is a governmental plan under IRC section 414(d) and became effective January 1, 1986. The SDCCC Plan is a qualified defined contribution plan and as such, benefits depend on amounts contributed to the SDCCC Plan plus investment earnings less allowable plan expenses. The SDCCC Plan covers employees not otherwise entitled to a retirement/pension provided through a collective bargaining unit agreement. Employees are eligible at the earlier of the date on which they complete six months of continuous full-time service, or the twelve-month period beginning on the hire date (or any subsequent Plan year) during which they complete 1,000 hours of service. Effective January 1, 2009, employees are eligible to participate in the Plan on the first day of the month after completion of 1,000 hours of service during the twelve-month period beginning on the employees' hire date (or during any subsequent Plan years).

A plan year is defined as a calendar year. The SDCCC Plan's balance 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 the plan provisions. A trustee bank holds the SDCCC Plan assets. 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.

For the year ended June 30, 2011, pension expenses for the SDCCC Plan amounted to \$1,380. SDCCC records pension expenses during the fiscal year based upon employee compensation that is included in gross income covered compensation.

f. **Pension Plan - San Diego Data Processing Corporation (SDDPC)**

SDDPC administers a Money Purchase Pension Plan (SDDPC Plan) covering substantially all employees. The SDDPC Plan is a defined contribution plan, wherein benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from their date of employment. During each plan year, SDDPC contributes monthly an amount equal to 20% of the total defined eligible monthly compensation for all employees. SDDPC contributions for each employee are fully vested after four years of continuous service. The City does not act in a trustee or agency capacity for the SDDPC Plan; therefore, these assets are not reported within the City's basic financial statements. In fiscal year 2011, SDDPC made the required 20% contribution, amounting to approximately \$4,013.

SDDPC also administers a Tax Sheltered Annuity Plan, a voluntary defined contribution plan covering all employees of SDDPC who are eligible for membership as defined by the plan document and who elect to participate. There are no employer contributions to this plan.

g. **Pension Plan - San Diego Housing Commission (SDHC)**

SDHC provides pension benefits for all its full-time employees through a defined contribution plan (SDHC Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of their employment. SDHC's contributions for each employee (and interest allocated to the employee's account) are fully vested after four years of continuous service. SDHC's contributions for, and interest forfeited by, employees who leave employment before four years of service are used to reduce the SDHC's current-period contribution requirement. SDHC's covered payroll in fiscal year 2011 was approximately \$14,351. SDHC made the required 14% contribution, amounting to approximately \$2,009 and plan members contributed \$85 for fiscal year 2011. The City does not act in a trustee or agency capacity for the SDHC Plan; therefore, these assets are not reported within the City's basic financial statements.

h. **Pension Plan - Southeastern Economic Development Corporation (SEDC)**

SEDC has a 403(b) Tax Sheltered Annuity Plan (Defined Contribution Plan) covering all employees (SEDC Plan). The plan is currently administered by VLP Corporate Services, LLP with Merrill Lynch as the investment advisor. Employees are eligible on their date of employment, and SEDC contributes an amount equal to 12% of all employees' salaries. SEDC's total payroll in fiscal year 2011 was approximately \$664 and SEDC made the required 403(b) contribution totaling \$83. SEDC Plan members contributed an additional \$36. The City does not act in a trustee or agency capacity for the SEDC Plan; therefore, these assets are not reported within the City's basic financial statements.

### 13. OTHER POSTEMPLOYMENT BENEFITS (In Thousands)

#### a. Plan Description

The City provides postemployment healthcare benefits to qualifying general, safety and elected members, as provided for in SDMC Sections 24.1201 through 24.1204. The Other Postemployment Benefit Plan (the "OPEB Plan") is a single-employer plan, managed by SDCERS, and includes approximately 5,600<sup>1</sup> retirees, 7,200<sup>1</sup> active employees and 800<sup>1</sup> terminated vested members as of June 30, 2011. Postemployment healthcare benefits are primarily for health eligible retirees, not inclusive of dependents, who were actively employed on or after October 5, 1980 and were otherwise entitled to retirement allowances. Additionally, employees must have 10 years of service with the City to receive 50% of the retiree health benefit 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. Health eligible retirees can obtain health insurance coverage with the plan of their choice, including any City sponsored, union sponsored, or privately secured health plan. Health eligible retirees who are also eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, ranging from approximately \$8,400<sup>1</sup> to \$9,300<sup>1</sup> per year depending on retirement date, in addition to reimbursement/payment for Medicare Part B premiums, which ranges from \$1,200<sup>1</sup> to \$1,300<sup>1</sup> per year. Health eligible retirees who are not eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, ranging from approximately \$8,900<sup>1</sup> to \$9,900<sup>1</sup> per year depending on retirement date. Reimbursements for health eligible retirees 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. Non-health eligible employees who retired or terminated prior to October 6, 1980 and who are otherwise eligible for retirement allowances are also eligible for reimbursement/payment of healthcare benefits limited to a total of \$1,200<sup>1</sup> per year. Reimbursements for non-health eligible retirees are not subject to annual adjustments.

The City's postemployment healthcare benefit plan is closed to employees hired on or after July 1, 2005; however, this is being challenged in court by certain employee groups who contend that due to delays in codification of benefit changes into the Municipal Code, the effective cutoff date would instead be February 16, 2007, which is when the Ordinance O-19567 was officially codified in the Municipal Code. The court ruled in favor of the City but the matter is currently on appeal.

In addition, the Annual Inflation associated with the benefit was frozen for active employees, effective July 1, 2009 and continued until June 30, 2011, pending further negotiation. Employees retiring during that period were not entitled to the Annual Inflation. However, employees retiring after June 30, 2011 are entitled to the Annual Inflation with exception of Police Officers Association (POA) and Local 127 members.

In fiscal year 2010, the City established a trust vehicle for a defined contribution plan to fund retiree medical benefits for general members hired after July 1, 2009 who are excluded from the OPEB Plan. This defined contribution plan requires a mandatory employee contribution of 0.25% of gross salary with a corresponding 0.25% match by the City. Elected and safety members are ineligible for this plan.

#### b. Summary of Significant Accounting Policies

*Basis of Accounting* - The postemployment healthcare trust fund uses the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as additions in the period in which the contributions are due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the OPEB Plan.

*Method Used to Value Investments* - CalPERS, which administers the retirement benefits trust described below, states

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<sup>1</sup> Reported as a whole number.

investments at fair value. Certain construction projects and alternative investments are reported at cost, which approximates market value. Mortgages are valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments, principally rental property subject to long-term net leases, is estimated based on independent appraisals.

c. 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. Members of the OPEB Plan do not have contribution requirements related to their own coverage; however, they are required to pay for the benefits of their beneficiaries (amounts vary based on coverage elections). In fiscal year 2011, the City contributed \$33,868 to the Post-Employment Healthcare Benefit Plan.

In addition to current retirees and beneficiaries, the OPEB Plan includes active and terminated vested members and therefore, the City also pre-funds future expenses related to postemployment healthcare benefits through an investment trust administered by CalPERS. The CalPERS Employers Retirement Benefits Trust (CERBT) requires the City to pre-fund in an amount not less than \$5 annually. The ARC for the OPEB Plan is calculated by the City's actuary on an annual basis.

The City plans to continue funding current year postemployment healthcare benefits from the pay-as-you-go trust fund (Post-Employment Healthcare Benefit Plan) until it is able to pay the ARC in full. Additionally, the City plans to contribute approximately \$10,000 to \$15,000 per year to the CERBT, not to exceed \$25,000, for Fiscal Years 2012 through 2015 to pre-fund future Other Postemployment Benefits. All contributions to the CERBT become trust assets.

The City contributed approximately \$25,000 to the CERBT in fiscal year 2011. As of June 30, 2011, the market value of the CERBT was approximately \$116,608. This balance is net of all contributions to the plan as well as Fiscal Year 2011 annual investment gains and administrative expenses amounting to approximately \$19,006 and \$118, respectively.

d. Funded Status and Funding Progress

The following table summarizes the OPEB Plan's funding status as of the most recent valuation date:

Schedule of Funded Status						
Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/11	\$ 116,608	\$ 1,248,151	\$ 1,131,543	9.34%	\$ 455,537	248.40%

The schedules presented as required supplementary information following the notes to the financial statements present information regarding the funding status and employer contributions for the current and preceding fiscal years. The Schedule of Funding Progress is intended to present information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The Schedule of Employer Contributions is intended to present trend information about the amounts contributed to the OPEB Plan by employers in comparison to the ARC determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and 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. 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 actuarial value of assets. The following table summarizes the more significant actuarial methods and assumptions used to calculate the ARC for the fiscal year 2011 (actuarial valuation for the fiscal year ended June 30, 2009), as well as for the most current actuarial valuation (ended June 30, 2011):

<i>Description</i>	<i>Method/Assumption</i>
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	30 years, open
Actuarial Asset Valuation Method	Fair Value
Discount Rate	6.69%* (FY09), 6.40%* (FY11)
Inflation Rate	N/A**
Projected Payroll Increases	N/A**
Health Care Cost Trend Rate	10% grading down 0.5% each year to 5%

\* Determined as a blended rate based on the City's partial contributions to the Plan.

\*\* Postemployment healthcare benefits are not based on inflation or payroll, but rather are determined based on the Health Care Cost Trend Rate.

Source: Buck Consultants

e. Other Postemployment Benefit Cost and Net OPEB Obligation (NOPEBO)

The following table presents the annual OPEB cost, the percentage of annual OPEB cost contributed during the fiscal year, and the net OPEB obligation at the end of fiscal year 2011, as well as for the two preceding fiscal years:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
06/30/09	\$ 105,583	46.88%	\$ 93,878
06/30/10	115,442	49.11%	152,631
06/30/11	123,534	47.65%	217,297

As the administrator of the OPEB Plan, the City implemented GASB Statement Nos. 43 and 45 in fiscal year 2008 and elected to report a zero net OPEB obligation at the beginning of the transition year. The following table shows the calculation of the City's net OPEB obligation of the OPEB Plan for the fiscal year ended June 30, 2011 (based on the valuation for the fiscal year ended June 30, 2009):

ARC [Fiscal Year 2011]	\$ 120,324
Interest on NOPEBO	10,209
ARC Adjustment	(6,999)
Annual OPEB Cost	123,534
Contributions [Fiscal Year 2011]	(58,868)
Change in NOPEBO	64,666
NOPEBO Beginning of Year [July 1, 2010]	152,631
NOPEBO End of Year [June 30, 2011]	<u>\$ 217,297</u>

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

Interfund Working Capital Advance (WCA) balances are the result of loans between funds that are expected to be repaid in excess of one year. The majority of the advances, approximately \$6,446, are advances from the Housing and Urban Development (HUD) Section 108 grant funds to RDA. Interfund WCA balances at June 30, 2011 are as follows:

Contributing Fund (Receivable)	Benefitting Fund (Payable)
	NonMajor Governmental
NonMajor Governmental	\$ 8,784

Interfund receivable and payable balances are the result of loans between funds that are expected to be repaid during the next fiscal year, as well as amounts due for services provided. \$6,510 represents a loan from the General Fund to the TransNet fund to cover a cash deficit and \$748 represents payables from RDA to CCDC and SEDC for reimbursable operating costs. Interfund receivable/payable balances at June 30, 2011 are as follows:

Contributing Fund (Receivable)	Benefitting Fund (Payable)
	NonMajor Governmental
General Fund	\$ 6,510
Nonmajor Governmental	748
Total	\$ 7,258

The Sewer Utility Fund has an interfund loan receivable of \$3,487, and the Black Mountain Ranch Facilities Benefit Assessments (FBA) Fund, a capital projects fund, has a corresponding interfund payable for advanced FBA project funding. In order to expedite construction, the Sewer Utility Fund agreed to finance the Carmel Valley Trunk Sewer project. A portion of this project was deemed the responsibility of the Carmel Valley area developers and is intended to be reimbursed during fiscal year 2012 from FBA Fund assessment revenue.

PFFA issued pooled financing bonds, Series 2007 A and B for the purpose of making loans to RDA to be used for financing and refinancing redevelopment activities in the Southcrest, Central Imperial, and Mount Hope Redevelopment Project Areas. The PFFA debt service fund has an interfund loan receivable of \$32,010 and RDA has an aggregate interfund loan payable of \$32,010. Since these loans are between governmental funds, the interfund receivable and payable are eliminated through the government-wide conversion.

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, Storm Drain, 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.

On February 28, 2011, the City and RDA entered into a cooperation agreement for the payment of costs associated with certain RDA funded projects (Projects Implementation Agreement). Pursuant to the agreement, the RDA transferred approximately \$289,000 to the City in anticipation of work to be performed in future years. In addition, the City and RDA authorized the transfer of approximately 95 real estate assets from the RDA to the City for the implementation of projects pursuant to the Projects Implementation Agreement. These transfers are included in the General Fund and Nonmajor Governmental categories listed below.

Interfund transfer balances for the year ended June 30, 2011 are as follows:

Contributing Fund	Benefiting Fund						Total
	General Fund	Nonmajor Governmental	Sewer Utility	Water Utility	Nonmajor Enterprise	Internal Service	
General Fund	\$ -	\$ 22,601	\$ -	\$ -	\$ -	\$ 2,852	\$ 25,453
Nonmajor Governmental	158,874	651,664	-	142	307	3,263	814,250
Sewer Utility	192	-	-	-	-	10	202
Water Utility	181	41	-	-	-	-	222
Nonmajor Enterprise	243	5,409	-	-	-	750	6,402
Internal Service	1,367	11	147	113	77	8	1,723
Total	<u>\$ 160,857</u>	<u>\$ 679,726</u>	<u>\$ 147</u>	<u>\$ 255</u>	<u>\$ 384</u>	<u>\$ 6,883</u>	<u>\$ 848,252</u>

## 15. RISK MANAGEMENT (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 has established various self-insurance programs and maintains contracts with various insurance companies to manage excessive risks.

The City maintains an excess liability insurance policy 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. The City's self-insurance retention amount is \$4,000.

The City offers a cafeteria-style flexible benefits plan. For Municipal Employees Association (MEA) and Local-127 represented employees, this plan requires employees to choose a health plan unless covered elsewhere, and also a life insurance plan. It also gives employees the option of obtaining dental and/or vision insurance. For all other employees, the benefits plan is the same, with the exception that \$50 of City-paid life insurance is automatically provided outside of the flexible benefit credit. Employees receive flexible benefit dollars as taxable earnings and may use those dollars for medical/dental/vision and childcare reimbursement accounts.

The City is self-insured for workers' compensation and long-term disability (LTD). All operating funds of the City participate in both of these programs and make payments to the Self Insurance Fund. Each fund contributes 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 Self Insurance Fund.

Public liability, workers' compensation, and long-term disability estimated liabilities as of June 30, 2011 were determined based on results of independent actuarial evaluations and include amounts for claims incurred but not reported and adjustment expenses. 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. Estimated liabilities for public liability claims have been recorded in the Self Insurance Fund, Sewer Utility Fund, and Water Utility Fund.

A reconciliation of total liability claims, for all three funds, showing current and prior year activity is presented below:

	Public Liability	Workers' Comp & Long- Term Disability	Total
Balance, July 1, 2009	\$ 143,873	\$ 162,959	\$ 306,832
Claims and Changes in Estimates	50,720	29,605	80,325
Claim Payments	<u>(20,498)</u>	<u>(24,030)</u>	<u>(44,528)</u>
Balance, June 30, 2010	174,095	168,534	342,629
Claims and Changes in Estimates	10,325	26,514	36,839
Claim Payments	<u>(26,797)</u>	<u>(23,399)</u>	<u>(50,196)</u>
Balance, June 30, 2011	<u>\$ 157,623</u>	<u>\$ 171,649</u>	<u>\$ 329,272</u>

The City, in collaboration with CSAC-EIA, maintains an "All Risk" policy which includes flood coverage for scheduled locations for amounts up to \$25,000 per occurrence under the primary policy, with a \$25 deductible. Limits include coverage for business interruption losses for designated lease-financed locations. There is no sharing of limits among the City and member counties of the CSAC-EIA pool, unless the City and member are mutually subject to the same loss. Limits and coverage may be adjusted periodically in response to the requirements of bond financed projects, acquisitions, and in response to changes in the insurance marketplace.

Earthquake coverage is provided for designated buildings/structures and, as required, certain designated City lease-financed locations in the amount of \$60,000, including coverage for business interruption caused by earthquake at certain designated locations. Earthquake coverage is subject to a deductible of 5% of total insured values per unit per occurrence, subject to a \$100 minimum. The City's earthquake coverage is purchased jointly and 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 such 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 \$10,000 per occurrence, subject to a \$25 deductible.

During fiscal year 2011, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

See Contingencies, Note 18, for additional information.

**16. FUND BALANCE / NET ASSETS (DEFICIT) (In Thousands)**

The Development Services Enterprise fund has a net assets deficit of \$11,303 primarily due to the accumulation of unfunded expenses related to long-term liabilities such as the NPO, NOPEBO and Compensated Absences and is in the process of identifying a solution to correct future net asset deficits.

The Publishing Services Internal Service fund has a net assets deficit of \$653 primarily due to the accumulation of unfunded expenses related to long-term liabilities such as the NPO, NOPEBO and Compensated Absences and is in the process of identifying a solution to correct future net asset deficits.

The Self Insurance Internal Service fund has a net assets deficit of \$139,494, which represents unfunded estimated claims and claim settlements related to Public Liability, Workers' Compensation, and Long-Term Disability. It is anticipated that individual claim settlements will be funded through future user charges subsequent to the filing of a claim and prior to its settlement. Even though the City suspended funding the Public Liability and Workers' Compensation reserves in fiscal years 2011 and 2012, the City funded the current year's claim settlements through the department's operating budget. Additionally, the City's Reserve Policy calls for a reserve goal of 50% of outstanding claims to be achieved no later than fiscal year 2019. Additionally, the Long-Term Disability fund reserve was set to be \$12,000 by fiscal year 2013 as recommended in the actuarial valuation report.

The Miscellaneous Internal Service Fund has a net assets deficit of \$76 and is primarily due to unemployment expenses in excess of revenues and an increase in the annual OPEB obligation. In fiscal year 2012, the rates for the unemployment insurance reserve were adjusted upward to help mitigate this deficit. Additionally, the Risk Management Department is in the process of identifying a solution to correct future net asset deficits within the fund resulting from pension and OPEB obligations.

**17. COMMITMENTS (In Thousands)**

As of June 30, 2011, the City's contractual commitments are as follows:

General Fund	\$ 7,303
Other Governmental Funds	389,771
Sewer Utility	87,219
Water Utility	45,732
Other Enterprise Funds	1,860
Total Contractual Commitments	<u>\$ 531,885</u>

Consent Decree

In October 2007, the City settled litigation filed by the U.S. Environmental Protection Agency (EPA) and two environmental groups by agreeing to additional requirements to reduce sewer spills, which are set forth in a court approved Consent Decree (Consent Decree). The Consent Decree requires, among other things, increased maintenance and infrastructure improvements, including the replacement or rehabilitation of 250 miles of pipeline and trunk sewer, pump station and force main upgrades, and entails court supervision of these upgrades at least through June 2013. The average annual cost of this future commitment is estimated at \$79,000 per year in capital projects and \$40,600 per year in operational maintenance to the sewer system in fiscal years 2012 and 2013. Sewer Utility expects to fund these commitments through a combination of existing net assets, system revenues, and financing proceeds. Sewer Utility is currently in compliance with the Consent Decree requirements and expects to substantially fulfill all the terms of the Consent Decree by the end of fiscal year 2013.

Agreement Relative to Modified Permit for the Point Loma Wastewater Treatment

In December 2008, the City received a second renewal of a modified permit for the Point Loma Wastewater Treatment Plant and agreed to identify opportunities to maximize recycling wastewater for potable and non potable uses. In August 2010, the EPA issued another waiver and renewed the modified permit for 5 more years. There is no assurance that additional waivers will be approved. If the City cannot operate under a modified permit, there could be significant future obligations to fund the secondary treatment requirements. In October 2009, in conjunction with the approval of the waiver, the California Coastal Commission required the City to complete a Recycled Water Study in two years. The City expects to submit the Recycled Water Study by July 2012.

California Department of Public Health Compliance Order

In 1997, the State of California Department of Public Health (DPH) issued a compliance order requiring the City to correct operational deficiencies and begin necessary capital improvements related to the City's water system. This Compliance Order was last amended in May of 2007 (Amendment 11), and included additional items that were not in the original Compliance Order. The DPH Compliance Order will remain in effect until the required projects are completed. Presently, the City is meeting all of the requirements of the DPH Compliance Order, including the progress of mandated projects and the ongoing obligation to provide DPH with quarterly progress reports.

For fiscal years 2012 to 2016, the City's DPH Compliance Order project costs are estimated to be a combined total of \$229,000. Water Utility expects to fund these commitments through a combination of existing net assets, system revenues, and financing proceeds. Water Utility expects to substantially fulfill all the terms of the Compliance Order by the end of fiscal year 2016.

**18. CONTINGENCIES (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, 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 2011 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 2,088 notices of claims in fiscal year 2011.

As of June 30, 2011, the City estimates the amount of tort and non-tort liabilities to be approximately \$157,600, which has been reported in the Government-wide Statement of Net Assets and the proprietary 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 - \$231,000. 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, 2011.

Significant regulatory actions are described below (Other regulatory actions are described in Note 17 Commitments).

**POLLUTION REMEDIATION OBLIGATIONS**California Regional Water Quality Board Administrative Proceeding

This matter involves a tentative cleanup and abatement order by the Regional Water Quality Control Board (RWQCB) which, when made effective, will require remediation of polluted bay sediments near historic shipyards on San Diego Bay. The City has been named as a "Discharger" in the tentative order along with other entities which include shipyard operators, the local electric utility SDG&E, and the U.S. Navy.

The RWQCB issued the original order in fiscal year 2005, and in December 2010, the RWQCB released the revised proposed cleanup order which, if adopted, would mandate a project with an estimated cost of \$60,000 to \$100,000, plus an additional \$6,000 to \$9,000 of costs related to site investigation, assessment and RWQCB oversight. The order includes post-remedial monitoring requirements which, depending on monitoring results and trends, may lead to further cleanup orders. The parties are addressing allocation of these costs in mediation and if necessary, in litigation which has been commenced and which is proceeding in parallel with mediation efforts. Many variables exist which make accurate estimation of the City's share of the total costs impossible at this time. A conservative, high-range estimate of the City's exposure is 25% of cleanup costs; however, a lesser percentage is possible. The City has tendered claims on insurance policies in regard to this order which remain pending.



Additionally, the RWQCB prepared an environmental impact report for the proposed cleanup level project which has been released for public review and comment. Multiple hearings were held by RWQCB in November 2011 and intervening environmental groups have filed testimony and objections at the hearings to the proposed cleanup levels and were seeking a more costly remedial project. This matter is currently under review by the RWQCB.

#### County Department of Environmental Health (DEH) Unauthorized Release Cases

The City owns/owned Underground Storage Tank (UST) Systems at various locations including, but not limited to: Airports, Fleet Operations Yards, Police Substations, and Fire-Rescue Facilities. The City has been named as a responsible party by the DEH in 23 cases located at 11 UST sites. The nature of the pollution involves soil and groundwater contamination by the USTs. The City has been able to utilize the State's UST Cleanup Fund to obtain reimbursement for a vast majority of the site assessment and mitigation costs. An estimate of the City's pollution liability has been established using a variety of methods and assumptions including, but not limited to: soil borings and groundwater monitoring wells to determine lateral and vertical extent of impacts; soil vapor assessment studies; corrective action planning; active soil and groundwater treatment; and attenuation monitoring. The liability for each site ranges from \$0 to \$1,000, and all but two estimates are under \$300. Given that the vast majority of all costs are paid out of the State's UST Cleanup Fund and the majority of the estimates are of relatively small amounts, the estimates are expensed when incurred throughout the year in the responsible fund and no liability is accrued in the financial statements.

#### Sewage Spill at Pump Station 64

On September 8, 2011, during a regional countywide electrical power outage, all power was lost at Sewer Pump Station 64. As a result of the power outage, 2.4 million gallons of sewage was spilled into the Penasquitos Creek and ultimately the Los Penasquitos Lagoon. For six days following the event, the City posted notification on the beaches five miles north and south of the mouth of the lagoon warning of contaminated water. The City also pumped a mixture of sewage and creek water from the Penasquitos Creek, recovering approximately 931,550 gallons of sewage.

The discharge of untreated sewage is a violation of State Water Board Order No. 2006-0003-DWQ, Statewide General Waste Discharge Requirements for Sanitary Sewer Systems and San Diego Water Board Order No. R9-2007-0005, Waste Discharge Requirements for Sewage Collection Agencies in the San Diego Region. The City received an Investigative Order from the California RWQCB pertaining to the sewage spill. The City submitted a technical report to the RWQCB on October 14, 2011 and was required to submit a final monitoring report by January 13, 2012. The City expects to submit the final monitoring report by February 17, 2012 and does not anticipate the RWQCB to assess any penalties or violations due to the late submittal. These reports provided information to the RWQCB to evaluate the nature, circumstances, extent and impacts of the discharge of untreated sewage. A final decision has not been rendered.

The California Water Code provides for various enforcement options, including civil monetary remedies for violations of Order No. 2006-0003-DWQ. Water Code section 13350 provides that any person who violates any waste discharge requirement issued by a Regional Board shall be civilly liable. Water Code section 13350(e)(2) provides that civil liability may be assessed on a per gallon basis, and may not exceed \$10 (whole dollars) for each gallon of waste discharged.

**19. DEBT WITHOUT GOVERNMENT COMMITMENT (In Thousands)**

The City has authorized the issuance of certain conduit Mortgage Revenue Bonds and Special Assessment/Special Tax Bonds. The City has no legal obligation to make payment on these bonds and has not pledged any City assets as a guarantee to the bondholders. These bonds do not constitute indebtedness of the City. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans, certain funds and 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 assets.

The following describes the outstanding debt without government commitment:

Mortgage Revenue Bonds

Single-family mortgage revenue bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single-family residences. The purpose of this program is to provide low interest rate home mortgage loans to persons of low or moderate income who are unable to qualify for conventional mortgages at market rates. Multi-family housing revenue bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the City to be partially occupied by persons of low income.

As of June 30, 2011, the status of mortgage revenue bonds issued is as follows:

	Original Amount	Balance June 30, 2011
Mortgage Revenue	\$ 15,700	\$ 5,595

Special Assessment/Special Tax Bonds

The special assessment districts, including Community Facilities Districts in various parts of the City, have issued debt to finance infrastructure improvements and facilities within their respective districts. The special assessment bonds are secured by special tax liens and assessments on the real property within the special assessment district and are not direct liabilities of the City. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district 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 as the agent in the collection and remittance of the special taxes and assessments for these Districts and initiates foreclosure proceedings as required under the bond covenants.

As of June 30, 2011, the status of each of the special assessment bonds issued is as follows:

	Original Amount	Balance June 30, 2011
Assessment District No.4030 (Otay Mesa Industrial Park), Issued May 1992	\$ 2,235	\$ 135
Communities Facilities District No.1 (Miramar Ranch North), Series 1998	59,465	34,495
Reassessment District No. 1999-1, Issued February 1999	38,145	12,171
Communities Facilities District No.2 (Santaluz), Improvement Area No. 1, Series 2000 A	56,020	48,515
Communities Facilities District No.2 (Santaluz), Improvement Area No. 3, Series 2000 B	4,350	3,805
Reassessment District No. 2003-1, Issued August 2003	8,850	5,060
Assessment District No. 4096 (Piper Ranch), Issued December 2003	5,430	4,135
Communities Facilities District No.2 (Santaluz), Improvement Area No. 1, Series 2004 A	5,000	4,100
Communities Facilities District No.2 (Santaluz), Improvement Area No. 4, Series 2004 A	9,965	8,070
Communities Facilities District No.3 (Liberty Station), Series 2006 A	16,000	15,120
Communities Facilities District No.3 (Liberty Station), Series 2008 A	3,950	3,745
Communities Facilities District No.4 (Black Mountain Ranch Villages), Series 2008 A	12,365	11,940
Total Special Assessment / Special Tax Bonds:	<u>\$ 221,775</u>	<u>\$ 151,291</u>

#### Refunding Revenue Bonds

The Public Facilities Financing Authority of the City of San Diego issued Refunding Revenue Bonds in February 1999 for the purpose of acquiring the Limited Obligation Refunding Bonds issued by the City of San Diego Reassessment District No.1999-1 and sold to the Authority for the purpose of refunding certain outstanding prior assessment district bonds of the City. The Bonds are special obligations of the Authority payable solely from and secured by amounts received from the acquired Limited Obligations, investment income with respect to any monies held by the Trustee in the funds and accounts established under the indenture and any amounts, including proceeds of the sale of the Bonds, held in any fund or account established pursuant to the Indenture.

As of June 30, 2011, the status of each of the refunding revenue bonds issued is as follows:

	Original Amount	Balance June 30, 2011
Reassessment District No. 1999-1, Series 1999 A Senior Lien Bonds	\$ 30,515	\$ 8,270
Reassessment District No. 1999-1, Series 1999 B Subordinate Lien Bonds	7,630	2,045
Total Refunding Revenue Bonds	<u>\$ 38,145</u>	<u>\$ 10,315</u>

**20. CLOSURE AND POST-CLOSURE CARE COST (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. Although closure and post-closure 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 post-closure care costs as an operating expense in each period based on landfill capacity used as of each financial statement date.

The \$20,845 reported as landfill closure and post-closure care liability as of June 30, 2011 represents the cumulative amount reported to date based on the use of 80% of the estimated capacity of the landfill.

The City will recognize the remaining estimated cost of closure and post-closure care of \$5,165 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care as of June 30, 2011. The City expects to close the landfill in fiscal year 2022. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The City is in compliance with these requirements and as of June 30, 2011, cash or equity in pooled cash and investments of \$43,611 was held for this purpose. This amount is reported as restricted assets on the statement of net assets in the Environmental Services Fund. 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 post-closure 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.

The City is required by 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 to meet the current corrective action cost estimate approved by the San Diego Regional Water Quality Control Board. The City is in compliance with these requirements and as of June 30, 2011, cash or equity in pooled cash and investments of \$1,538 was held for this purpose. This amount is reported as restricted assets on the statement of net assets in the Environmental Services Fund. 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 post-closure 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.

**21. OPERATING AGREEMENTS (In Thousands)**San Diego Data Processing Corporation and Automated Regional Justice Information System

SDDPC has a yearly information technology services contract agreement with a joint powers agency known as the Automated Regional Justice Information System (ARJIS) whose main purpose is to pursue development of computerized law enforcement systems in the region.

Under the agreement, SDDPC provides information technology services to ARJIS at rates which, on an annual basis, are equivalent to those charged to other governmental agency clients. Included in SDDPC's services revenue is approximately \$4,193 related to ARJIS for the year ended June 30, 2011.

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 new Petco Park Ballpark Facility (Facility). The Padres have a 30% divided interest and the City owns 70%, which is shown as a capital asset in the City's statement of net assets. The occupancy agreement expires on December 14, 2033 and includes the right to exercise two 5-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, up to a maximum of \$3,500 per year, subject to certain inflationary adjustments. In fiscal year 2011, the City paid approximately \$4,158 related to the operation and maintenance of the Facility.

For information pertaining to the operating agreement with San Diego Medical Services Enterprises, LLC, please refer to Note 9, Joint Ventures and Jointly Governed Organizations.

**22. FUND BALANCES (In Thousands)**

The following table provides additional detail regarding the City's governmental fund balances:

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>NONSPENDABLE</b>			
Not in Spendable Form	\$ -	\$ 5,423	\$ 5,423
Legally/Contractually Required to be Maintained Intact	-	15,670	15,670
Total Nonspendable	<u>-</u>	<u>21,093</u>	<u>21,093</u>
<b>RESTRICTED</b>			
Redevelopment	85,019	799,875	884,894
Facilities Benefit Assessments	-	135,972	135,972
Public Facilities Financing Authority	-	106,876	106,876
Impact Fees	-	57,880	57,880
Other Construction	-	55,356	55,356
Emergency Reserve	55,000	-	55,000
Underground Surcharge	-	40,032	40,032
Acquisition, Improvement and Operations	-	36,089	36,089
Capital Outlay	-	21,103	21,103
Grants	-	14,607	14,607
Traffic Congestion Relief (Prop 42)	-	14,580	14,580
Tobacco Settlement Revenue Funding Corporation	-	12,832	12,832
Special Gas Tax Street Improvement	-	11,993	11,993
TransNet	-	7,176	7,176
Fiesta Island Sludge	-	7,168	7,168
Naval Training Center Public Arts Center	-	5,156	5,156
Special Assessment/Special Tax Bonds	-	4,425	4,425
Environmental Growth	-	3,718	3,718
Interest Earned - Endowments	-	3,317	3,317
Public Safety Communications Project	-	2,750	2,750
Zoological Exhibits	-	183	183
Qualified Energy Conservation Bonds	-	31	31
City of San Diego MTDB Authority	-	20	20
Other	5,861	37,045	42,906
Total Restricted	<u>145,880</u>	<u>1,378,184</u>	<u>1,524,064</u>

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>COMMITTED</b>			
Other Construction	\$ -	\$ 13,743	\$ 13,743
Sea World Traffic Mitigation	-	11,844	11,844
Medical Services	-	11,615	11,615
Transient Occupancy Tax	-	11,538	11,538
Park & Recreation Districts	-	6,469	6,469
Regional Parks	-	5,718	5,718
Qualcomm Stadium Operations	-	4,738	4,738
Centre City Development Corporation	-	1,345	1,345
Information Technology	902	-	902
Public Transportation	-	668	668
Acquisition, Improvement and Operations	-	522	522
Street Division Operations	-	350	350
Southeastern Economic Development Corporation	-	227	227
San Diego Industrial Development Authority	-	66	66
Other	281	23,940	24,221
Total Committed	<u>1,183</u>	<u>92,783</u>	<u>93,966</u>
<b>ASSIGNED</b>			
Parking Meter Districts	18,347	-	18,347
Police Decentralization	5,709	-	5,709
De Anza Operating/Settlement	4,881	-	4,881
Library Improvement	3,263	-	3,263
Wireless Communication Technology	2,366	-	2,366
Other	3,587	-	3,587
Total Assigned	<u>38,153</u>	<u>-</u>	<u>38,153</u>
<b>UNASSIGNED</b>	<u>60,532</u>	<u>(29,569)</u>	<u>30,963</u>
<b>GRAND TOTAL</b>	<u>\$ 245,748</u>	<u>\$ 1,462,491</u>	<u>\$ 1,708,239</u>

The amounts reported in the Restricted, Committed and Assigned categories as "Other" are composed of a variety of small restrictions/commitments/assignments, none of which are significant enough to be identified separately in this schedule.

**23. SUBSEQUENT EVENTS (In Thousands)**

On July 1, 2011, the City issued the fiscal year 2012 Tax and Revenue Anticipation Notes as a private placement in the amount of \$161,000 to meet the annual General Fund cash flow needs of the City. The final maturity date of the fiscal year 2012 Tax Revenue Anticipation Notes is May 31, 2012.

Long-Term Liabilities

On September 29, 2011 and October 11, 2011, the City received \$11,656 and \$8,344, respectively from the State Department of Public Health, State Revolving Fund Loan, totaling \$20,000 of additional financing for the Miramar Water Treatment Plant Upgrade and Expansion project. The upgrade and expansion will enable the City to meet safe drinking water standards. The loan repayment period is 20 years with an annual interest rate of 2.3035%. Any future debt issued may not be senior to this loan obligation and may only be issued at parity. Net System Revenues of the Water Utility Fund have been designated as the dedicated source of funds for repayment of the loan.

On December 20, 2011, the City issued \$51,680 of Community Facilities District No. 2 (Santaluz) Improvement Area No.1 Special Tax Refunding Bonds Series A of 2011 to refund all of the outstanding Santaluz Improvement Area No.1 Series 2000 A and 2004 A Special Tax Bonds to achieve annual debt service savings. The 2011 A bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are special obligations of the District and are payable solely from revenues derived from certain annual Special Taxes within Improvement Area No.1 of the District and certain other funds pledged under the Bond Indenture. Accordingly, no liability will be recorded in the City's government-wide statement of net assets. The serial bonds were issued at fixed rates that range from 2.0% to 5.25% and the final maturity date is September 1, 2030.

On January 5, 2012, the City received an initial \$3,114 out of a total of \$18,000 of State Revolving Fund Loan applications from the State of California Department of Public Health. The purpose of the loan is to assist in financing the Otay Water Treatment Plant Project, Phase I which will enable the City to meet safe drinking water standards. The payback period for the loan is 20 years with an annual interest rate of 2.5017%. Any future debt issued may not be senior to this loan and may only be issued at parity. Net System Revenue of the Water Utility Fund has been designated as the dedicated source of funds for repayment of the loan.

San Diego Medical Services Enterprise, LLC

On July 1, 2011, a new Emergency Medical Services Agreement between the City and Rural/Metro of San Diego, Inc. (2011 EMS Agreement) became effective. Under the 2011 EMS Agreement, Rural/Metro of San Diego, Inc. provides emergency medical transportation services to the City for an interim two-year period through June 2013. The City intends to solicit proposals from multiple providers prior to the expiration of the 2011 EMS Agreement.

Also on July 1, 2011, and as a condition to the execution of the 2011 EMS Agreement, the City executed a Unit Purchase Agreement with Rural/Metro of San Diego, Inc. and Rural/Metro of Southern California, Inc. whereby the City sold its 50% membership interest in SDMSE for \$5.5 million, plus the undistributed profits of SDMSE as of June 30, 2011. The City no longer has any partnership interest or other interest in the revenue or assets of SDMSE.

As of April 15, 2011, the City, Rural/Metro Corporation, Rural/Metro of San Diego, SDMSE and a qui tam claimant have entered into two interim settlement agreements (Settlement Agreements) setting forth certain requirements in connection with SDMSE, including that: i) the City and Rural/Metro would forebear from suing each other; ii) all statutes of limitations would be tolled; iii) Rural/Metro would pay all costs for a full forensic accounting of SDMSE, which remains ongoing, and iv) Rural/Metro would post a surety bond. The results of the forensic accounting are yet to be determined.



### Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 28, 2011, the Governor signed Assembly Bill X1 26 (AB 26) and Assembly Bill X1 27 (AB 27) as part of the State's budget package. AB 26 requires each California redevelopment agency to suspend nearly all activities, except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the dissolution of the agency. AB 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program.

On July 18, 2011, the League of California Cities, the California Redevelopment Association (CRA) and other entities filed a lawsuit on behalf of cities, counties and redevelopment agencies, petitioning the California Supreme Court to overturn both AB 26 and AB 27 on the grounds that the bills violate the California Constitution.

On December 29, 2011, the Court largely upheld AB 26 as a proper exercise of the legislative power vested in the Legislature by the State Constitution, invalidated AB 27 in its entirety, concluded that AB 26 may be enforced independently from AB 27, and revised certain deadlines for the implementation of AB 26. Accordingly, RDA is required to dissolve on February 1, 2012, unless subsequent legislation or court order delays or nullifies this deadline. Guidelines for dissolution are set forth in AB 26, including the transfer of all assets and responsibilities for closing out the activities of RDA to a "Successor Agency." On January 10, 2012, the City Council elected to have the City become the Successor Agency for RDA, and the Mayor subsequently approved the City Council's resolution.

AB 26 may impact various existing agreements between RDA and the City. AB 26 directs the State Controller to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, and if no federal or state law will be violated, the State Controller is required to order the available assets to be transferred to the Successor Agency. Under AB 26, the State Controller could require RDA's monetary and real estate assets transferred to the City in the current fiscal year to be transferred back to the Successor Agency to be applied in discharging the obligations of RDA. If those prior transfers are unwound, then the City as Successor Agency may be compelled to transfer the cash funds to the County Auditor, and to liquidate the real estate assets and transfer any liquidation proceeds to the County Auditor, for pro rata distribution to local taxing entities (including, but not limited to, the City). A newly-formed Oversight Board or a State entity, such as the Department of Finance, may also seek to unwind certain agreements between the Agency and the City. These include various loans and debt presently owed by RDA to the City which could become uncollectible by the City. The Oversight Board or a State entity may also seek to invalidate certain cooperation agreements between the City and RDA that provide for the reimbursement by RDA of City debt service payments related to the Convention Center Phase II Expansion bonds and the Ballpark bonds. The Oversight Board or a State entity could also seek to invalidate the cooperation agreement between RDA and the City whereby the City would undertake future projects on behalf of RDA and funded with RDA moneys.

### Retirement Benefits

The City has implemented multiple agreements with various labor unions which have impacted retirement benefits for new employees. The following is a summary of the most significant changes:

- Reduction in retirement calculation factors for various safety members to 3% at age 55 with a proportionally reduced retirement factor of 2.5% at age 50. Additionally, final compensation will be calculated using the highest average salary earned over three one year periods.
- Elimination of the SPSP benefit for lifeguard members hired after January 1, 2011.
- Elimination of Employer Retirement Offset Contribution for various general, safety and legislative members.

These changes will be implemented through fiscal year 2012 and will result in a lower ARC than would otherwise apply if such changes were not implemented.

#### Other Postemployment Benefits

On June 27, 2011, the City reached a tentative agreement with all bargaining units regarding reforms to the retiree healthcare benefit for employees hired before July 1, 2005. Members approved the reforms during an election in September 2011 and the SDCERS Board ratified the election results on September 30, 2011. Signed MOUs were approved by City Council on January 24, 2012. The agreement provides multiple options with varying degrees of contributions and final benefit payments and the changes will be implemented on April 1, 2012. Additionally, the agreement is subject to the creation of a 15-year single subject Memorandum of Understanding (MOU) with each labor organization and cannot be changed until fiscal year 2015 at the earliest. The City is required to conduct an actuarial analysis of the impacts of these changes following fiscal year 2014 and present it to the City Council. The City Council may only change the benefits after engaging in good faith negotiations and with a two-thirds (6 out of 9 Council Members) vote. During this 15-year period, the City's contribution is capped at \$57,782 for fiscal years 2012 through 2015, and will not increase by more than 2.5% per year after fiscal year 2015.

**Required Supplementary Information (Unaudited)**  
**June 30, 2011**

**PENSION TRUST FUND**

**Schedule of Funding Progress**

The following table shows the funding progress of the City's pension trust fund for the last three fiscal years (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2009	\$ 4,175,229	\$ 6,281,636	\$ 2,106,407	66.47%	\$ 536,591	392.55%
6/30/2010	4,382,047	6,527,224	2,145,177	67.13%	530,238	404.57%
6/30/2011	4,739,399	6,917,417	2,178,018	68.51%	514,265	423.52%

Source: Cheiron, Inc.

**OPEB TRUST FUND**

**Schedule of Funding Progress**

The following table shows the funding progress of the City's OPEB trust fund for the last three fiscal years (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2009	\$ 41,497	\$ 1,359,377	\$ 1,317,880	3.05%	\$ 549,012	240.05%
6/30/2010	72,720	1,200,910	1,128,190	6.06%	472,561	238.74%
6/30/2011	116,608	1,248,151	1,131,543	9.34%	455,537	248.40%

**Schedule of Contributions from Employer and Other Contributing Entities**

The following table shows contributions to the City's OPEB trust fund for the last three fiscal years (in thousands):

Fiscal Year	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2009	\$ 104,475	\$ 49,498	47.38%
6/30/2010	113,426	56,689	49.98%
6/30/2011	120,324	58,868	48.92%

Source: Buck Consultants

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REQUIRED SUPPLEMENTARY INFORMATION - 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; Licenses and Permits; Fines, Forfeitures, and Penalties; Use of Money and Property; Aid from Other Governmental Agencies; Charges for Current Services; and Other Revenue.

Current expenditures and encumbrances are classified by the functions of: 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 Debt Service Principal and Interest. Appropriations are made from the fund annually.

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2011**  
(In Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Property Taxes.....	\$ 390,061	\$ 390,061	\$ 384,023	\$ (6,038)
Sales Taxes.....	193,758	203,859	215,873	12,014
Transient Occupancy Taxes.....	66,115	66,115	73,399	7,284
Other Local Taxes.....	71,871	71,871	70,994	(877)
Licenses and Permits.....	31,596	31,596	28,621	(2,975)
Fines, Forfeitures and Penalties.....	32,796	32,796	31,598	(1,198)
Revenue from Use of Money and Property.....	45,268	45,268	44,235	(1,033)
Revenue from Federal Agencies.....	1,852	1,852	1,431	(421)
Revenue from Other Agencies.....	3,493	3,857	8,773	4,916
Charges for Current Services.....	145,459	170,406	147,323	(23,083)
Other Revenue.....	4,719	4,356	4,113	(243)
<b>TOTAL REVENUES.....</b>	<b>986,988</b>	<b>1,022,037</b>	<b>1,010,383</b>	<b>(11,654)</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General Government and Support.....	245,212	244,964	237,255	7,709
Public Safety - Police.....	377,114	386,214	386,213	1
Public Safety - Fire and Life Safety and Homeland Security.....	177,021	184,652	184,442	210
Parks, Recreation, Culture and Leisure.....	118,195	118,445	115,550	2,895
Transportation.....	58,635	43,997	43,773	224
Sanitation and Health.....	65,419	66,731	66,390	341
Neighborhood Services.....	17,915	17,869	16,578	1,291
Capital Projects.....	-	473	473	-
<b>Debt Service:</b>				
Principal Retirement.....	3,431	3,111	3,034	77
Interest.....	4,466	3,468	3,426	42
<b>TOTAL EXPENDITURES.....</b>	<b>1,067,408</b>	<b>1,069,924</b>	<b>1,057,134</b>	<b>12,790</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES.....</b>	<b>(80,420)</b>	<b>(47,887)</b>	<b>(46,751)</b>	<b>1,136</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Proprietary Funds.....	-	1,366	1,366	-
Transfers from Other Funds.....	112,887	78,070	74,121	(3,949)
Transfers to Proprietary Funds.....	-	(2,852)	(2,852)	-
Transfers to Other Funds.....	(32,157)	(28,460)	(28,306)	154
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>80,730</b>	<b>48,124</b>	<b>44,329</b>	<b>(3,795)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>310</b>	<b>237</b>	<b>(2,422)</b>	<b>(2,659)</b>
FUND BALANCES - BEGINNING.....	115,023	115,023	115,023	-
<b>FUND BALANCES - ENDING.....</b>	<b>\$ 115,333</b>	<b>\$ 115,260</b>	<b>\$ 112,601</b>	<b>\$ (2,659)</b>



## Note to Required Supplementary Information Year Ended June 30, 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Budgetary Data

On or before the first meeting in May of each year, the City Manager submits to the City Council a proposed operating and capital improvements budget for the fiscal year commencing July 1. This budget includes annual budgets for the following funds:

- **General Fund**
- **Special Revenue Funds:**
  - City of San Diego:
    - Acquisition, Improvement and Operations
    - Environmental Growth Funds:
      - Two-Thirds Requirement
      - One-Third Requirement
    - Public Transportation
    - Qualcomm Stadium Operations
    - Special Gas Tax Street Improvement
    - Street Division Operations
    - Transient Occupancy Tax
    - Underground Surcharge
    - Zoological Exhibits
    - Other Special Revenue
  - Centre City Development Corporation
  - Southeastern Economic Development Corporation
- **Debt Service Funds:**
  - City of San Diego:
    - Public Safety Communications Project
- **Capital Projects Funds:**
  - City of San Diego:
    - TransNet

Public hearings are then conducted to obtain citizen comments on the proposed budget. A budget resolution legally adopting the budget for the next fiscal year is passed prior to June 30 and 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 except that (1) encumbrances outstanding at year-end are considered expenditures and (2) the increase/decrease in advances and deposits 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, proceeds from capital leases, and net income from joint venture.

The legal level of budgetary control for the City's general fund is exercised at the salaries and wages and non-personnel expenditures level. Budgetary control for the 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 Annual Appropriation Ordinance.

Reported budget figures are as originally adopted or subsequently amended plus prior year continuing appropriations. Such budget amendments during the year, including those related to supplemental appropriations, did not cause these reported budget amounts to be significantly different than the originally adopted budget amounts. Appropriations lapse at year-end to the extent that they have not been expended or encumbered, except for those of a capital nature, which continue to subsequent years.

The following is a reconciliation of the net change in fund balance prepared on a GAAP basis to that prepared on the budgetary basis for the year ended June 30, 2011 (in thousands):

	General Fund
Net Change in Fund Balances - GAAP Basis	\$ 87,173
Add (Deduct):	
Encumbrances Outstanding, June 30, 2011	(5,486)
Unrealized Gains, June 30, 2011	(1,620)
Unrealized Gains, June 30, 2010	1,816
General Fund Activity not included in annual Appropriations Ordinance <sup>1</sup>	(84,306)
Net Change in Fund Balances - Budgetary Basis	<u>\$ (2,422)</u>

**b. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the budgeted governmental funds.

Encumbrances outstanding at year-end are disclosed since the commitments will be honored through subsequent years' appropriations and are included within the Restricted, Committed and Assigned fund balance categories. Additionally, encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

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<sup>1</sup> The General Fund budgetary schedule includes only those funds associated with General Fund operations as defined by the City. Financial statements prepared on a GAAP basis also include these funds, as well as other funds that do not meet the criteria to be classified as a Special Revenue, Capital Projects or Debt Service fund, pursuant to GASB Statement No. 54. These additional funds are administered as separate budgetary entities by the City, and are primarily related to the Cooperation Agreement between the City and the RDA.

## SUPPLEMENTARY INFORMATION - GENERAL FUND



**GENERAL FUND  
SCHEDULE OF REVENUE AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2011  
(In Thousands)**

	Actual <sup>1</sup>	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget
<b>PROPERTY TAXES</b>					
Current Year - Secured (One Percent Allocation).....	\$ 253,983	\$ -	\$ 253,983	\$ 284,653	\$ (30,670)
Current Year Supplemental - Secured .....	2,098	-	2,098	-	2,098
Current Year - Unsecured .....	9,114	-	9,114	-	9,114
Current Unsecured Supplemental Roll .....	48	-	48	-	48
Homeowners' Exemptions - Secured .....	2,648	-	2,648	-	2,648
Homeowners' Exemptions - Unsecured .....	2	-	2	-	2
Prior years' - Secured .....	413	-	413	-	413
Prior years' - Unsecured .....	13	-	13	-	13
In-Lieu Vehicle License Fees .....	104,097	-	104,097	105,408	(1,311)
Interest and Penalties on Delinquent Taxes .....	2,265	-	2,265	-	2,265
Escapes - Secured .....	2,663	-	2,663	-	2,663
Escapes - Unsecured .....	372	-	372	-	372
Other Property Taxes .....	625	-	625	-	625
State Secured Unitary .....	5,682	-	5,682	-	5,682
<b>TOTAL PROPERTY TAXES .....</b>	<b>384,023</b>	<b>-</b>	<b>384,023</b>	<b>390,061</b>	<b>(6,038)</b>
<b>SALES TAXES .....</b>	<b>215,873</b>	<b>-</b>	<b>215,873</b>	<b>203,859</b>	<b>12,014</b>
<b>TRANSIENT OCCUPANCY TAXES .....</b>	<b>73,399</b>	<b>-</b>	<b>73,399</b>	<b>66,115</b>	<b>7,284</b>
<b>OTHER LOCAL TAXES</b>					
Franchises .....	65,546	-	65,546	67,185	(1,639)
Property Transfer Tax .....	5,448	-	5,448	4,686	762
<b>TOTAL OTHER LOCAL TAXES .....</b>	<b>70,994</b>	<b>-</b>	<b>70,994</b>	<b>71,871</b>	<b>(877)</b>
<b>LICENSES AND PERMITS</b>					
General Business Licenses .....	7,182	-	7,182	6,941	241
Refuse Collection Business Licenses .....	661	-	661	780	(119)
Rental Unit Tax .....	6,204	-	6,204	5,425	779
Parking Meter Revenue .....	7,221	-	7,221	9,500	(2,279)
Other Licenses and Permits .....	7,353	-	7,353	8,950	(1,597)
<b>TOTAL LICENSES AND PERMITS .....</b>	<b>28,621</b>	<b>-</b>	<b>28,621</b>	<b>31,596</b>	<b>(2,975)</b>
<b>FINES, FORFEITURES AND PENALTIES</b>					
California Vehicle Code Violations .....	28,507	-	28,507	28,011	496
Other City Ordinance Code Violations .....	3,091	-	3,091	4,785	(1,694)
<b>TOTAL FINES, FORFEITURES AND PENALTIES .....</b>	<b>31,598</b>	<b>-</b>	<b>31,598</b>	<b>32,796</b>	<b>(1,198)</b>

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<sup>1</sup> Amounts include only those funds associated with General Fund operations as defined by the City. Financial statements prepared on a GAAP basis also include these funds, as well as other funds that do not meet the criteria to be classified as a Special Revenue, Capital Projects or Debt Service fund, pursuant to GASB Statement No. 54.

**GENERAL FUND**  
**SCHEDULE OF REVENUE AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2011**  
(In Thousands)

	Actual <sup>1</sup>	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget
<b>REVENUE FROM USE OF MONEY AND PROPERTY</b>					
Interest on Investments .....	\$ 2,166	\$ 196	\$ 2,362	\$ 1,656	\$ 706
Balboa Park Rents and Concessions .....	217	-	217	228	(11)
Mission Bay Park Rents and Concessions .....	24,696	-	24,696	30,651	(5,955)
Other Rents and Concessions .....	16,960	-	16,960	12,733	4,227
<b>TOTAL REVENUE FROM USE OF MONEY AND PROPERTY ...</b>	<b>44,039</b>	<b>196</b>	<b>44,235</b>	<b>45,268</b>	<b>(1,033)</b>
<b>REVENUE FROM FEDERAL AGENCIES .....</b>	<b>1,431</b>	<b>-</b>	<b>1,431</b>	<b>1,852</b>	<b>(421)</b>
<b>REVENUE FROM OTHER AGENCIES</b>					
State Motor Vehicle License Fees .....	6,912	-	6,912	3,143	3,769
Local Relief .....	99	-	99	210	(111)
State Grants .....	1,762	-	1,762	504	1,258
<b>TOTAL REVENUE FROM OTHER AGENCIES .....</b>	<b>8,773</b>	<b>-</b>	<b>8,773</b>	<b>3,857</b>	<b>4,916</b>
<b>CHARGES FOR CURRENT SERVICES</b>					
Administrative Services to Other Agencies .....	662	-	662	302	360
Cemetery Revenue .....	675	-	675	751	(76)
Engineering Services .....	437	-	437	687	(250)
Fire Services .....	13,652	-	13,652	12,465	1,187
Library Revenue .....	1,521	-	1,521	1,514	7
Miscellaneous Recreation Revenue .....	3,532	-	3,532	2,862	670
Other Services .....	780	-	780	206	574
Paramedic Services .....	180	-	180	166	14
Planning and Miscellaneous Filing Fees .....	142	-	142	10	132
Police Services .....	2,963	-	2,963	2,932	31
Swimming Pools Revenue .....	1,020	-	1,020	1,166	(146)
Services Rendered to Other Funds for:					
General Government and Financial .....	118,234	-	118,234	132,973	(14,739)
Engineering .....	-	-	-	4,553	(4,553)
Park Design .....	-	-	-	1,223	(1,223)
Miscellaneous Services .....	3,525	-	3,525	8,596	(5,071)
<b>TOTAL CHARGES FOR CURRENT SERVICES .....</b>	<b>147,323</b>	<b>-</b>	<b>147,323</b>	<b>170,406</b>	<b>(23,083)</b>
<b>OTHER REVENUE</b>					
Other Refunds of Prior Years' Expenditures .....	474	-	474	341	133
Repairs and Damage Recoveries .....	492	-	492	245	247
Sale of Personal Property .....	184	-	184	122	62
Miscellaneous Revenue .....	2,963	-	2,963	3,648	(685)
<b>TOTAL OTHER REVENUE .....</b>	<b>4,113</b>	<b>-</b>	<b>4,113</b>	<b>4,356</b>	<b>(243)</b>
<b>TOTAL REVENUES .....</b>	<b>1,010,187</b>	<b>196</b>	<b>1,010,383</b>	<b>1,022,037</b>	<b>(11,654)</b>

<sup>1</sup> Amounts include only those funds associated with General Fund operations as defined by the City. Financial statements prepared on a GAAP basis also include these funds, as well as other funds that do not meet the criteria to be classified as a Special Revenue, Capital Projects or Debt Service fund, pursuant to GASB Statement No. 54.

**GENERAL FUND**  
**SCHEDULE OF REVENUE AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2011**  
(In Thousands)

	Actual <sup>1</sup>	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget
<b>TRANSFERS FROM PROPRIETARY FUNDS</b>					
Internal Service Funds:					
City of San Diego:					
Fleet Services .....	\$ 517	\$ -	\$ 517	\$ 517	\$ -
Self Insurance .....	839	-	839	839	-
Miscellaneous Internal Service .....	10	-	10	10	-
<b>TOTAL TRANSFERS FROM PROPRIETARY FUNDS .....</b>	<b>1,366</b>	<b>-</b>	<b>1,366</b>	<b>1,366</b>	<b>-</b>
<b>TRANSFERS FROM OTHER FUNDS</b>					
Special Revenue Funds:					
City of San Diego:					
Acquisition, Improvement & Operations .....	2	-	2	2	-
Environmental Growth Fund .....	9,684	-	9,684	9,684	-
Qualcomm Stadium Operations .....	3	-	3	3	-
Special Gas Tax Street Improvement .....	8,105	-	8,105	8,105	-
Street Division Operations .....	5	-	5	5	-
Transient Occupancy Tax .....	12,542	-	12,542	12,542	-
Zoological Exhibits .....	34	-	34	34	-
Other Special Revenue - Budgeted .....	7,539	-	7,539	7,827	(288)
Grants .....	91	-	91	91	-
Other Special Revenue - Unbudgeted .....	22,380	-	22,380	26,041	(3,661)
Redevelopment Agency .....	2,734	-	2,734	2,734	-
Capital Projects Funds:					
City of San Diego:					
Capital Outlay .....	258	-	258	258	-
TransNet .....	8,442	-	8,442	8,442	-
Other Construction .....	1,852	-	1,852	1,852	-
Permanent Funds:					
Cemetery Perpetuity .....	450	-	450	450	-
<b>TOTAL TRANSFERS FROM OTHER FUNDS .....</b>	<b>74,121</b>	<b>-</b>	<b>74,121</b>	<b>78,070</b>	<b>(3,949)</b>
<b>TOTAL REVENUE AND TRANSFERS .....</b>	<b>\$ 1,085,674</b>	<b>\$ 196</b>	<b>\$ 1,085,870</b>	<b>\$ 1,101,473</b>	<b>\$ (15,603)</b>

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2011**  
(In Thousands)

	Actual <sup>1</sup>	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>GENERAL GOVERNMENT AND SUPPORT</b>					
Departmental:					
Mayor					
Salaries and Wages.....	\$ 416	\$ -	\$ 416	\$ 416	\$ -
Non-Personnel.....	245	-	245	338	93
Total Mayor.....	661	-	661	754	93
City Council District 1					
Salaries and Wages.....	422	-	422	466	44
Non-Personnel.....	401	-	401	575	174
Total City Council District 1.....	823	-	823	1,041	218
City Council District 2					
Salaries and Wages.....	462	-	462	462	-
Non-Personnel.....	334	-	334	531	197
Total City Council District 2.....	796	-	796	993	197
City Council District 3					
Salaries and Wages.....	484	-	484	534	50
Non-Personnel.....	462	-	462	588	126
Total City Council District 3.....	946	-	946	1,122	176
City Council District 4					
Salaries and Wages.....	473	-	473	473	-
Non-Personnel.....	448	-	448	626	178
Total City Council District 4.....	921	-	921	1,099	178
City Council District 5					
Salaries and Wages.....	464	-	464	479	15
Non-Personnel.....	374	4	378	569	191
Total City Council District 5.....	838	4	842	1,048	206
City Council District 6					
Salaries and Wages.....	489	-	489	503	14
Non-Personnel.....	370	-	370	478	108
Total City Council District 6.....	859	-	859	981	122
City Council District 7					
Salaries and Wages.....	480	-	480	514	34
Non-Personnel.....	444	-	444	547	103
Total City Council District 7.....	924	-	924	1,061	137
City Council District 8					
Salaries and Wages.....	515	-	515	525	10
Non-Personnel.....	385	-	385	628	243
Total City Council District 8.....	900	-	900	1,153	253
Council Administration					
Salaries and Wages.....	906	-	906	1,054	148
Non-Personnel.....	811	26	837	851	14
Total Council Administration.....	1,717	26	1,743	1,905	162
City Clerk					
Salaries and Wages.....	2,220	-	2,220	2,275	55
Non-Personnel.....	2,267	-	2,267	2,498	231
Total City Clerk.....	4,487	-	4,487	4,773	286
Independent Budget Analyst					
Salaries and Wages.....	919	-	919	960	41
Non-Personnel.....	604	-	604	659	55
Independent Budget Analyst.....	1,523	-	1,523	1,619	96

<sup>1</sup> Amounts include only those funds associated with General Fund operations as defined by the City. Financial statements prepared on a GAAP basis also include these funds, as well as other funds that do not meet the criteria to be classified as a Special Revenue, Capital Projects or Debt Service fund, pursuant to GASB Statement No. 54.



**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2011**  
(In Thousands)

	Actual <sup>1</sup>	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>City Attorney</b>					
Salaries and Wages.....	\$ 23,050	\$ -	\$ 23,050	\$ 23,667	\$ 617
Non-Personnel.....	17,346	94	17,440	18,251	811
Total City Attorney.....	40,396	94	40,490	41,918	1,428
<b>Personnel</b>					
Salaries and Wages.....	3,604	-	3,604	3,656	52
Non-Personnel.....	2,896	-	2,896	2,983	87
Total Personnel.....	6,500	-	6,500	6,639	139
<b>Ethics Commission</b>					
Salaries and Wages.....	412	-	412	512	100
Non-Personnel.....	367	18	385	385	-
Total Ethics Commission.....	779	18	797	897	100
<b>City Auditor</b>					
Salaries and Wages.....	1,583	-	1,583	1,633	50
Non-Personnel.....	1,200	416	1,616	2,128	512
Total City Auditor.....	2,783	416	3,199	3,761	562
<b>Assistant Chief Operating Officer</b>					
Salaries and Wages.....	186	-	186	186	-
Non-Personnel.....	118	-	118	126	8
Total Assistant Chief Operating Officer.....	304	-	304	312	8
<b>Citywide Administration</b>					
Salaries and Wages.....	1,029	-	1,029	1,143	114
Non-Personnel.....	1,116	1	1,117	1,229	112
Total Citywide Administration.....	2,145	1	2,146	2,372	226
<b>Business Office</b>					
Salaries and Wages.....	463	-	463	520	57
Non-Personnel.....	446	144	590	637	47
Total Business Office.....	909	144	1,053	1,157	104
<b>Human Resources</b>					
Salaries and Wages.....	1,023	-	1,023	1,049	26
Non-Personnel.....	848	-	848	875	27
Total Human Resources.....	1,871	-	1,871	1,924	53
<b>Office of the CIO</b>					
Salaries and Wages.....	-	-	-	-	-
Non-Personnel.....	18,944	-	18,944	18,947	3
Total Office of the CIO.....	18,944	-	18,944	18,947	3
<b>Community and Legislative Services</b>					
Salaries and Wages.....	2,845	-	2,845	2,891	46
Non-Personnel.....	2,721	-	2,721	3,091	370
Total Community and Legislative Services.....	5,566	-	5,566	5,982	416
<b>Chief Financial Officer</b>					
Salaries and Wages.....	311	-	311	315	4
Non-Personnel.....	373	55	428	599	171
Total Chief Financial Officer.....	684	55	739	914	175
<b>City Comptroller</b>					
Salaries and Wages.....	5,570	-	5,570	5,570	-
Non-Personnel.....	4,656	3	4,659	4,659	-
Total City Comptroller.....	10,226	3	10,229	10,229	-

Continued on Next Page

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2011**  
(In Thousands)

	Actual <sup>1</sup>	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Debt Management					
Salaries and Wages.....	\$ 1,255	\$ -	\$ 1,255	\$ 1,255	\$ -
Non-Personnel.....	921	-	921	975	54
Total Debt Management.....	<u>2,176</u>	<u>-</u>	<u>2,176</u>	<u>2,230</u>	<u>54</u>
Financial Management					
Salaries and Wages.....	2,108	-	2,108	2,277	169
Non-Personnel.....	1,579	-	1,579	1,938	359
Total Financial Management.....	<u>3,687</u>	<u>-</u>	<u>3,687</u>	<u>4,215</u>	<u>528</u>
Purchasing and Contracts					
Salaries and Wages.....	1,968	-	1,968	1,968	-
Non-Personnel.....	1,573	2	1,575	1,679	104
Total Purchasing and Contracts.....	<u>3,541</u>	<u>2</u>	<u>3,543</u>	<u>3,647</u>	<u>104</u>
City Treasurer					
Salaries and Wages.....	5,791	-	5,791	5,791	-
Non-Personnel.....	8,039	-	8,039	8,039	-
Total City Treasurer.....	<u>13,830</u>	<u>-</u>	<u>13,830</u>	<u>13,830</u>	<u>-</u>
Real Estate Assets					
Salaries and Wages.....	1,897	-	1,897	1,987	90
Non-Personnel.....	2,081	1	2,082	2,516	434
Total Real Estate Assets.....	<u>3,978</u>	<u>1</u>	<u>3,979</u>	<u>4,503</u>	<u>524</u>
Engineering and Capital Projects					
Salaries and Wages.....	27,432	-	27,432	27,465	33
Non-Personnel.....	22,986	390	23,376	23,923	547
Total Engineering and Capital Projects.....	<u>50,418</u>	<u>390</u>	<u>50,808</u>	<u>51,388</u>	<u>580</u>
General Services					
Salaries and Wages.....	5,254	-	5,254	5,254	-
Non-Personnel.....	8,521	239	8,760	8,761	1
Total General Services.....	<u>13,775</u>	<u>239</u>	<u>14,014</u>	<u>14,015</u>	<u>1</u>
Public Works					
Salaries and Wages.....	420	-	420	439	19
Non-Personnel.....	462	2	464	561	97
Total Public Works.....	<u>882</u>	<u>2</u>	<u>884</u>	<u>1,000</u>	<u>116</u>
Citywide Expenses					
Salaries and Wages.....	34	-	34	34	-
Non-Personnel.....	36,142	440	36,582	36,629	47
Total Citywide Expenses.....	<u>36,176</u>	<u>440</u>	<u>36,616</u>	<u>36,663</u>	<u>47</u>
Citywide Expenses/Continuing Projects					
Salaries and Wages.....	-	-	-	-	-
Non-Personnel.....	397	58	455	872	417
Total Citywide Expenses/Continuing Projects.....	<u>397</u>	<u>58</u>	<u>455</u>	<u>872</u>	<u>417</u>
<b>TOTAL GENERAL GOVERNMENT AND SUPPORT.....</b>	<u>235,362</u>	<u>1,893</u>	<u>237,255</u>	<u>244,964</u>	<u>7,709</u>

<sup>1</sup> Amounts include only those funds associated with General Fund operations as defined by the City. Financial statements prepared on a GAAP basis also include these funds, as well as other funds that do not meet the criteria to be classified as a Special Revenue, Capital Projects or Debt Service fund, pursuant to GASB Statement No. 54.

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2011  
(In Thousands)**

	Actual <sup>1</sup>	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>PUBLIC SAFETY-POLICE</b>					
Departmental:					
Police					
Salaries and Wages.....	\$ 208,920	\$ -	\$ 208,920	\$ 208,920	\$ -
Non-Personnel.....	176,822	471	177,293	177,294	1
Total Police .....	<u>385,742</u>	<u>471</u>	<u>386,213</u>	<u>386,214</u>	<u>1</u>
<b>TOTAL PUBLIC SAFETY - POLICE.....</b>	<u>385,742</u>	<u>471</u>	<u>386,213</u>	<u>386,214</u>	<u>1</u>
<b>PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY</b>					
Departmental:					
Fire - Rescue					
Salaries and Wages.....	97,244	-	97,244	97,244	-
Non-Personnel.....	85,660	5	85,665	85,665	-
Total Fire - Rescue.....	<u>182,904</u>	<u>5</u>	<u>182,909</u>	<u>182,909</u>	<u>-</u>
Office of Homeland Security					
Salaries and Wages.....	867	-	867	883	16
Non-Personnel.....	666	-	666	860	194
Total Office of Homeland Security.....	<u>1,533</u>	<u>-</u>	<u>1,533</u>	<u>1,743</u>	<u>210</u>
<b>TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY.....</b>	<u>184,437</u>	<u>5</u>	<u>184,442</u>	<u>184,652</u>	<u>210</u>
<b>PARKS, RECREATION, CULTURE AND LEISURE</b>					
Departmental:					
Library					
Salaries and Wages.....	15,111	-	15,111	15,111	-
Non-Personnel.....	18,033	22	18,055	18,266	211
Total Library.....	<u>33,144</u>	<u>22</u>	<u>33,166</u>	<u>33,377</u>	<u>211</u>
Parks and Recreation					
Salaries and Wages.....	30,772	-	30,772	30,772	-
Non-Personnel.....	49,009	1,107	50,116	52,301	2,185
Total Parks and Recreation - Administrative Services .....	<u>79,781</u>	<u>1,107</u>	<u>80,888</u>	<u>83,073</u>	<u>2,185</u>
Reservoir Concessions					
Salaries and Wages.....	3	-	3	3	-
Non-Personnel.....	1,441	52	1,493	1,992	499
Total Reservoir Concessions.....	<u>1,444</u>	<u>52</u>	<u>1,496</u>	<u>1,995</u>	<u>499</u>
<b>TOTAL PARKS, RECREATION CULTURE AND LEISURE.....</b>	<u>114,369</u>	<u>1,181</u>	<u>115,550</u>	<u>118,445</u>	<u>2,895</u>
<b>TRANSPORTATION</b>					
Departmental:					
Engineering and Capital Projects - Transportation					
Salaries and Wages.....	8,375	-	8,375	8,398	23
Non-Personnel.....	6,256	9	6,265	6,465	200
Total Engineering and Capital Projects - Transportation.....	<u>14,631</u>	<u>9</u>	<u>14,640</u>	<u>14,863</u>	<u>223</u>
Streets					
Salaries and Wages.....	12,226	-	12,226	12,226	-
Non-Personnel.....	15,848	1,059	16,907	16,908	1
Total Streets.....	<u>28,074</u>	<u>1,059</u>	<u>29,133</u>	<u>29,134</u>	<u>1</u>
<b>TOTAL TRANSPORTATION.....</b>	<u>42,705</u>	<u>1,068</u>	<u>43,773</u>	<u>43,997</u>	<u>224</u>

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**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2011**  
(In Thousands)

	Actual <sup>1</sup>	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>SANITATION AND HEALTH</b>					
Departmental:					
Environmental Protection					
Salaries and Wages.....	\$ 7,924	\$ -	\$ 7,924	\$ 8,022	\$ 98
Non-Personnel.....	25,540	40	25,580	25,823	243
Total Environmental Protection.....	<u>33,464</u>	<u>40</u>	<u>33,504</u>	<u>33,845</u>	<u>341</u>
Storm Water					
Salaries and Wages.....	6,706	-	6,706	6,706	-
Non-Personnel.....	26,150	30	26,180	26,180	-
Total Storm Water.....	<u>32,856</u>	<u>30</u>	<u>32,886</u>	<u>32,886</u>	<u>-</u>
<b>TOTAL SANITATION AND HEALTH.....</b>	<b><u>66,320</u></b>	<b><u>70</u></b>	<b><u>66,390</u></b>	<b><u>66,731</u></b>	<b><u>341</u></b>
<b>NEIGHBORHOOD SERVICES:</b>					
Departmental:					
Development Services					
Salaries and Wages.....	3,126	-	3,126	3,126	-
Non-Personnel.....	2,972	175	3,147	3,148	1
Total Development Services.....	<u>6,098</u>	<u>175</u>	<u>6,273</u>	<u>6,274</u>	<u>1</u>
City Planning & City Investment					
Salaries and Wages.....	4,358	-	4,358	4,533	175
Non-Personnel.....	5,324	623	5,947	7,062	1,115
Total City Planning & City Investment.....	<u>9,682</u>	<u>623</u>	<u>10,305</u>	<u>11,595</u>	<u>1,290</u>
<b>TOTAL NEIGHBORHOOD SERVICES.....</b>	<b><u>15,780</u></b>	<b><u>798</u></b>	<b><u>16,578</u></b>	<b><u>17,869</u></b>	<b><u>1,291</u></b>
<b>TOTAL CAPTIAL PROJECTS.....</b>	<b><u>473</u></b>	<b><u>-</u></b>	<b><u>473</u></b>	<b><u>473</u></b>	<b><u>-</u></b>
<b>DEBT SERVICE</b>					
Principal Retirement.....	3,034	-	3,034	3,111	77
Interest.....	3,426	-	3,426	3,468	42
<b>TOTAL DEBT SERVICE.....</b>	<b><u>6,460</u></b>	<b><u>-</u></b>	<b><u>6,460</u></b>	<b><u>6,579</u></b>	<b><u>119</u></b>
<b>TOTAL EXPENDITURES.....</b>	<b><u>1,051,648</u></b>	<b><u>5,486</u></b>	<b><u>1,057,134</u></b>	<b><u>1,069,924</u></b>	<b><u>12,790</u></b>

<sup>1</sup> Amounts include only those funds associated with General Fund operations as defined by the City. Financial statements prepared on a GAAP basis also include these funds, as well as other funds that do not meet the criteria to be classified as a Special Revenue, Capital Projects or Debt Service fund, pursuant to GASB Statement No. 54.

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2011**  
(In Thousands)

	Actual <sup>1</sup>	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>TRANSFERS TO PROPRIETARY FUNDS</b>					
Internal Service Funds:					
City of San Diego:					
Fleet Services.....	\$ 2,311	\$ -	\$ 2,311	\$ 2,311	\$ -
Print Shop.....	2	-	2	2	-
Central Stores.....	44	-	44	44	-
Miscellaneous Internal Service.....	495	-	495	495	-
Total Internal Service Funds .....	<u>2,852</u>	<u>-</u>	<u>2,852</u>	<u>2,852</u>	<u>-</u>
<b>TOTAL TRANSFERS TO PROPRIETARY FUNDS.....</b>	<u>2,852</u>	<u>-</u>	<u>2,852</u>	<u>2,852</u>	<u>-</u>
<b>TRANSFERS TO OTHER FUNDS</b>					
Special Revenue Funds:					
City of San Diego:					
Acquisition, Improvement and Operations.....	3,775	-	3,775	3,775	-
Police Decentralization.....	7,825	-	7,825	7,979	154
Other Special Revenue - Budgeted.....	1,627	-	1,627	1,627	-
Grants.....	437	-	437	437	-
Other Special Revenue - Unbudgeted.....	5,339	-	5,339	5,339	-
Public Facilities Financing Authority.....	6,898	-	6,898	6,898	-
Total Special Revenue Funds.....	<u>25,901</u>	<u>-</u>	<u>25,901</u>	<u>26,055</u>	<u>154</u>
Capital Projects Funds:					
City of San Diego:					
Other Construction.....	2,405	-	2,405	2,405	-
Total Capital Projects Funds .....	<u>2,405</u>	<u>-</u>	<u>2,405</u>	<u>2,405</u>	<u>-</u>
<b>TOTAL TRANSFERS TO OTHER FUNDS.....</b>	<u>28,306</u>	<u>-</u>	<u>28,306</u>	<u>28,460</u>	<u>154</u>
<b>TOTAL EXPENDITURES AND TRANSFERS.....</b>	<u>\$ 1,082,806</u>	<u>\$ 5,486</u>	<u>\$ 1,088,292</u>	<u>\$ 1,101,236</u>	<u>\$ 12,944</u>

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## NON MAJOR GOVERNMENTAL FUNDS





**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2011**  
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and Investments .....	\$ 382,091	\$ -	\$ 730,721	\$ -	\$ 1,112,812
Receivables:					
Taxes - Net of Allowance for Uncollectibles (Special Revenue \$232) .....	22,585	4,994	-	-	27,579
Accounts - Net of Allowance for Uncollectibles (Special Revenue \$19,740) .....	10,982	4,913	81,919	2	97,816
Claims .....	8	-	-	-	8
Special Assessments .....	2,061	-	-	-	2,061
Notes .....	173,108	-	7,209	-	180,317
Accrued Interest .....	544	337	860	13	1,754
Grants .....	26,691	-	26,714	-	53,405
From Other Funds .....	748	-	-	-	748
Interfund Loan Receivable .....	-	32,010	-	-	32,010
Advances to Other Funds .....	6,446	1,738	600	-	8,784
Advances to Other Agencies .....	4,882	-	341	-	5,223
Land Held for Resale .....	690	-	34,571	-	35,261
Prepaid Items .....	2,744	-	-	-	2,744
Restricted Cash and Investments .....	-	152,575	-	18,973	171,548
<b>TOTAL ASSETS</b> .....	<u>\$ 633,580</u>	<u>\$ 196,567</u>	<u>\$ 882,935</u>	<u>\$ 18,988</u>	<u>\$ 1,732,070</u>
<b>LIABILITIES</b>					
Accounts Payable .....	\$ 45,984	\$ -	\$ 16,693	\$ 1	\$ 62,678
Accrued Wages and Benefits .....	638	-	-	-	638
Other Accrued Liabilities .....	67	-	-	-	67
Due to Other Funds .....	75	-	7,183	-	7,258
Due to Other Agencies .....	3,298	-	55	-	3,353
Unearned Revenue .....	3,115	-	33,532	-	36,647
Deferred Revenue .....	23,321	7,689	79,979	-	110,989
Sundry Trust Liabilities .....	154	-	3,511	-	3,665
Advances from Other Funds .....	1,606	1,738	5,440	-	8,784
Interfund Loan Payable .....	4,273	10,644	20,580	-	35,497
Contract Deposits .....	3	-	-	-	3
<b>TOTAL LIABILITIES</b> .....	<u>82,534</u>	<u>20,071</u>	<u>166,973</u>	<u>1</u>	<u>269,579</u>
<b>FUND EQUITY</b>					
Fund Balances:					
Nonspendable .....	2,744	1,738	941	15,670	21,093
Restricted .....	485,584	174,758	714,525	3,317	1,378,184
Committed .....	72,571	-	20,212	-	92,783
Unassigned .....	(9,853)	-	(19,716)	-	(29,569)
<b>TOTAL FUND EQUITY</b> .....	<u>551,046</u>	<u>176,496</u>	<u>715,962</u>	<u>18,987</u>	<u>1,462,491</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b> .....	<u>\$ 633,580</u>	<u>\$ 196,567</u>	<u>\$ 882,935</u>	<u>\$ 18,988</u>	<u>\$ 1,732,070</u>

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2011**  
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Property Taxes .....	\$ 71,701	\$ 113,285	\$ -	\$ -	\$ 184,986
Special Assessments .....	42,823	-	-	-	42,823
Sales Taxes .....	-	-	16,204	-	16,204
Transient Occupancy Taxes .....	66,146	-	-	-	66,146
Other Local Taxes .....	87,803	-	-	-	87,803
Licenses and Permits .....	582	-	13,465	-	14,047
Fines, Forfeitures and Penalties .....	1,746	-	12	-	1,758
Revenue from Use of Money and Property .....	21,281	2,152	10,467	2,897	36,797
Revenue from Federal Agencies .....	70,366	-	14,316	-	84,682
Revenue from Other Agencies .....	13,516	9,019	23,320	-	45,855
Revenue from Private Sources .....	1,381	-	26,573	156	28,110
Charges for Current Services .....	23,702	-	-	74	23,776
Other Revenue .....	27,327	-	975	-	28,302
<b>TOTAL REVENUES .....</b>	<b>428,374</b>	<b>124,456</b>	<b>105,332</b>	<b>3,127</b>	<b>661,289</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	57,056	125	22,819	-	80,000
Public Safety - Police .....	12,435	-	82	-	12,517
Public Safety - Fire, Life Safety and Homeland Security .....	25,981	-	121	-	26,102
Parks, Recreation, Culture and Leisure .....	89,574	-	997	273	90,844
Transportation .....	65,686	-	6,778	-	72,464
Sanitation and Health .....	3,446	-	508	-	3,954
Neighborhood Services .....	35,555	3,295	24,209	-	63,059
Capital Outlay .....	41,929	-	99,431	-	141,360
Debt Service:					
Principal Retirement .....	15,153	88,945	285	-	104,383
Cost of Issuance .....	-	1,552	-	-	1,552
Interest on Long-Term Debt .....	2,534	65,379	150	-	68,063
<b>TOTAL EXPENDITURES .....</b>	<b>349,349</b>	<b>159,296</b>	<b>155,380</b>	<b>273</b>	<b>664,298</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES ..</b>	<b>79,025</b>	<b>(34,840)</b>	<b>(50,048)</b>	<b>2,854</b>	<b>(3,009)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	5,397	-	64	-	5,461
Transfers from Other Funds .....	146,183	75,972	452,110	-	674,265
Transfers to Proprietary Funds .....	(3,712)	-	-	-	(3,712)
Transfers to Other Funds .....	(225,917)	(235,317)	(348,721)	(583)	(810,538)
Proceeds from the Sale of Capital Assets .....	782	-	-	-	782
QECB Lease Issued .....	-	195	12,947	-	13,142
Notes Issued .....	-	-	133	-	133
Loans Issued .....	-	-	345	-	345
Tax Allocation Bonds Issued .....	25,191	52,893	28,316	-	106,400
Discount on Bonds Issued .....	-	(1,585)	-	-	(1,585)
Premium on Bonds Issued .....	-	42	-	-	42
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>(52,076)</b>	<b>(107,800)</b>	<b>145,194</b>	<b>(583)</b>	<b>(15,265)</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>26,949</b>	<b>(142,640)</b>	<b>95,146</b>	<b>2,271</b>	<b>(18,274)</b>
Fund Balances at Beginning of Year .....	524,097	319,136	620,816	16,716	1,480,765
<b>FUND BALANCES AT END OF YEAR .....</b>	<b>\$ 551,046</b>	<b>\$ 176,496</b>	<b>\$ 715,962</b>	<b>\$ 18,987</b>	<b>\$ 1,462,491</b>

NON MAJOR 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

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, and interest earnings derived there from.

#### ENVIRONMENTAL GROWTH

This Fund was established in accordance with Section 103.1a of the City Charter to receive 25 percent of all monies derived from the revenues accruing to the City from gas, electricity, and steam franchises. One third of the franchise monies and the interest derived there from are used exclusively for the purpose of preserving and enhancing the environment of the City of San Diego. Two thirds of the franchise monies and the interest derived there from are used as matching funds for open space acquisition and for debt service of bonds issued by the San Diego Open Space Facilities District No. 1.

#### PUBLIC TRANSPORTATION

This Fund was established to account for funds set aside as reserves to be used for transportation-related purposes. Fund transfers and interest derived there from are the main sources of revenue.

#### QUALCOMM STADIUM OPERATIONS

This Fund accounts for the operations of the Stadium. The Stadium hosts various sporting events for its football tenants. Revenues are derived from rents, concessions, parking, and advertising.

#### SPECIAL GAS TAX STREET IMPROVEMENT

This Fund was established to account for the receipt of motor vehicle fuel taxes from the State under Sections 2106 and 2107 of the Streets and Highways Code. Expenditures are for the construction, improvement, maintenance, and operation of public streets and highways.

#### STREET DIVISION OPERATIONS

This Fund was established to account for the operations of Transportation's Street division. Revenues are derived from sales tax allocations and transfers from Gas Tax and TransNet, as well as services performed by the Streets Division. Expenditures are for maintenance and operation of City streets.

#### TRANSIENT OCCUPANCY TAX

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 August 1994, the tax was increased from 9% to 10.5%.

#### UNDERGROUND SURCHARGE

This fund was established to account primarily for the capital improvement activities related to the undergrounding of utilities. This fund receives and disburses undergrounding surcharge revenue in accordance with the City's franchise agreements with San Diego Gas & Electric.

## ZOOLOGICAL EXHIBITS

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 of San Diego.

## OTHER SPECIAL REVENUE - BUDGETED

This Fund was established to account for revenues derived specifically for a variety of budgeted special programs administered by departments such as Police, Development Services, and General Services. Revenues in this Fund are derived from service charges, revenues from other agencies, and fines.

## GRANTS

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.

## OTHER SPECIAL REVENUE FUND - UNBUDGETED

This Fund was established to account for revenues earmarked for a variety of special programs administered by such departments as Engineering and Capital Projects, Libraries, Park 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**

### CENTRE CITY DEVELOPMENT CORPORATION

This Fund was established to account for the revenues and expenditures of the Centre City Development Corporation (CCDC). CCDC is a non-profit corporation that administers certain redevelopment projects in downtown San Diego and provides redevelopment advisory services to RDA. CCDC is primarily funded by RDA and the City of San Diego.

### REDEVELOPMENT AGENCY

This Fund was established to account for the activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. The special revenue account is used to account for funds restricted for the benefit of low and moderate income housing. Funding is primarily from property tax increment revenues and the City of San Diego.

### SAN DIEGO INDUSTRIAL DEVELOPMENT AUTHORITY

This Fund was established to account for revenues and expenditures of the San Diego Industrial Development Authority (SDIDA). SDIDA was formed in 1983 pursuant to the California Industrial Development Financing Act for the purpose of providing an alternative method of financing to participating parties for economic development purposes, through the sale and issuance of revenue bonds. Revenues are derived from fees collected from companies applying for industrial development bond financing. Expenditures are incurred for management and administrative services provided by the City of San Diego.

### SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

This Fund was established to account for the revenues and expenditures of the Southeastern Economic Development Corporation (SEDC). SEDC is a non-profit corporation that administers economic development projects within the community of Southeast San Diego and provides redevelopment advisory services to RDA. SEDC is primarily funded by RDA and by the City of San Diego pursuant to operating agreements under which SEDC is reimbursed for eligible costs incurred in connection with such activities.

## TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION

This fund was established to account for the activities of the Tobacco Settlement Revenue Funding Corporation (TSRFC). The 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 of San Diego.

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING BALANCE SHEET**  
**June 30, 2011**  
**(In Thousands)**

	<b>City of San Diego</b>	<b>Centre City Development Corporation</b>
<b>ASSETS</b>		
Cash and Investments.....	\$ 262,752	\$ 825
Receivables:		
Taxes - Net of Allowance for Uncollectibles (City of San Diego \$232).....	21,340	-
Accounts - Net of Allowance for Uncollectibles (City of San Diego \$19,740) .....	10,748	-
Claims.....	8	-
Special Assessments.....	2,061	-
Notes.....	3,420	-
Accrued Interest.....	397	-
Grants.....	26,691	-
From Other Funds.....	-	587
Advances to Other Funds.....	6,446	-
Advances to Other Agencies.....	4,882	-
Land Held for Resale.....	-	-
Prepaid Items.....	111	2
<b>TOTAL ASSETS.....</b>	<b>\$ 338,856</b>	<b>\$ 1,414</b>
<b>LIABILITIES</b>		
Accounts Payable.....	\$ 43,727	\$ 1
Accrued Wages and Benefits.....	581	-
Other Accrued Liabilities.....	1	66
Due to Other Funds.....	-	-
Due to Other Agencies.....	3,298	-
Unearned Revenue.....	3,115	-
Deferred Revenue.....	22,627	-
Sundry Trust Liabilities.....	1	-
Advances from Other Funds.....	-	-
Interfund Loan Payable.....	-	-
Contract Deposits.....	3	-
<b>TOTAL LIABILITIES.....</b>	<b>73,353</b>	<b>67</b>
<b>FUND EQUITY</b>		
Fund Balances:		
Nonspendable.....	111	2
Restricted.....	204,312	-
Committed.....	70,933	1,345
Unassigned.....	(9,853)	-
<b>TOTAL FUND EQUITY.....</b>	<b>265,503</b>	<b>1,347</b>
<b>TOTAL LIABILITIES AND FUND EQUITY.....</b>	<b>\$ 338,856</b>	<b>\$ 1,414</b>



<u>Redevelopment Agency</u>	<u>San Diego Industrial Development Authority</u>	<u>Southeastern Economic Development Corporation</u>	<u>Tobacco Settlement Revenue Funding Corporation</u>	<u>Total</u>
\$ 118,150	\$ 66	\$ 127	\$ 171	\$ 382,091
1,245	-	-	-	22,585
234	-	-	-	10,982
-	-	-	-	8
-	-	-	-	2,061
169,688	-	-	-	173,108
147	-	-	-	544
-	-	-	-	26,691
-	-	161	-	748
-	-	-	-	6,446
-	-	-	-	4,882
690	-	-	-	690
2,622	-	-	9	2,744
<u>\$ 292,776</u>	<u>\$ 66</u>	<u>\$ 288</u>	<u>\$ 180</u>	<u>\$ 633,580</u>
\$ 2,252	\$ -	\$ 4	\$ -	\$ 45,984
-	-	57	-	638
-	-	-	-	67
75	-	-	-	75
-	-	-	-	3,298
-	-	-	-	3,115
694	-	-	-	23,321
153	-	-	-	154
1,606	-	-	-	1,606
4,273	-	-	-	4,273
-	-	-	-	3
<u>9,053</u>	<u>-</u>	<u>61</u>	<u>-</u>	<u>82,534</u>
2,622	-	-	9	2,744
281,101	-	-	171	485,584
-	66	227	-	72,571
-	-	-	-	(9,853)
<u>283,723</u>	<u>66</u>	<u>227</u>	<u>180</u>	<u>551,046</u>
<u>\$ 292,776</u>	<u>\$ 66</u>	<u>\$ 288</u>	<u>\$ 180</u>	<u>\$ 633,580</u>

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Year Ended June 30, 2011  
(In Thousands)

	City of San Diego	Centre City Development Corporation
<b>REVENUES</b>		
Property Taxes.....	\$ 9,753	\$ -
Special Assessments.....	42,823	-
Transient Occupancy Taxes.....	66,146	-
Other Local Taxes.....	87,803	-
Licenses and Permits.....	582	-
Fines, Forfeitures and Penalties.....	1,746	-
Revenue from Use of Money and Property.....	19,480	4
Revenue from Federal Agencies.....	70,366	-
Revenue from Other Agencies.....	13,516	-
Revenue from Private Sources.....	1,376	-
Charges for Current Services.....	15,364	6,949
Other Revenue.....	26,443	104
<b>TOTAL REVENUES.....</b>	<b>355,398</b>	<b>7,057</b>
<b>EXPENDITURES</b>		
Current:		
General Government and Support.....	8,523	6,970
Public Safety - Police.....	12,435	-
Public Safety - Fire and Life Safety and Homeland Security.....	25,981	-
Parks, Recreation, Culture and Leisure.....	89,574	-
Transportation.....	65,686	-
Sanitation and Health.....	3,446	-
Neighborhood Services.....	30,114	-
Capital Outlay.....	41,929	-
Debt Service:		
Principal Retirement.....	15,153	-
Interest on Long-Term Debt.....	2,534	-
<b>TOTAL EXPENDITURES.....</b>	<b>295,375</b>	<b>6,970</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>60,023</b>	<b>87</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from Proprietary Funds.....	5,397	-
Transfers from Other Funds.....	92,122	-
Transfers to Proprietary Funds.....	(3,712)	-
Transfers to Other Funds.....	(99,993)	(220)
Proceeds from the Sale of Capital Assets.....	782	-
Tax Allocation Bonds Issued.....	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(5,404)</b>	<b>(220)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>54,619</b>	<b>(133)</b>
Fund Balances at Beginning of Year.....	210,884	1,480
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 265,503</b>	<b>\$ 1,347</b>

Redevelopment Agency	San Diego Industrial Development Authority	Southeastern Economic Development Corporation	Tobacco Settlement Revenue Funding Corporation	Total
\$ 61,948	\$ -	\$ -	\$ -	\$ 71,701
-	-	-	-	42,823
-	-	-	-	66,146
-	-	-	-	87,803
-	-	-	-	582
-	-	-	-	1,746
1,796	1	-	-	21,281
-	-	-	-	70,366
-	-	-	-	13,516
5	-	-	-	1,381
-	-	1,389	-	23,702
705	-	75	-	27,327
<u>64,454</u>	<u>1</u>	<u>1,464</u>	<u>-</u>	<u>428,374</u>
40,056	-	1,465	42	57,056
-	-	-	-	12,435
-	-	-	-	25,981
-	-	-	-	89,574
-	-	-	-	65,686
-	-	-	-	3,446
5,441	-	-	-	35,555
-	-	-	-	41,929
-	-	-	-	15,153
-	-	-	-	2,534
<u>45,497</u>	<u>-</u>	<u>1,465</u>	<u>42</u>	<u>349,349</u>
<u>18,957</u>	<u>1</u>	<u>(1)</u>	<u>(42)</u>	<u>79,025</u>
-	-	-	-	5,397
54,028	-	-	33	146,183
-	-	-	-	(3,712)
(125,704)	-	-	-	(225,917)
-	-	-	-	782
25,191	-	-	-	25,191
<u>(46,485)</u>	<u>-</u>	<u>-</u>	<u>33</u>	<u>(52,076)</u>
(27,528)	1	(1)	(9)	26,949
<u>311,251</u>	<u>65</u>	<u>228</u>	<u>189</u>	<u>524,097</u>
<u>\$ 283,723</u>	<u>\$ 66</u>	<u>\$ 227</u>	<u>\$ 180</u>	<u>\$ 551,046</u>

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2011**  
(In Thousands)

	<u>City of San Diego</u>	
	<u>Actual on Budgetary Basis</u>	<u>Final Budget</u>
<b>REVENUES</b>		
Property Taxes.....	\$ 9,706	\$ 9,682
Special Assessments.....	42,823	15,496
Sales Taxes.....	-	-
Transient Occupancy Taxes.....	66,146	60,105
Other Local Taxes.....	87,803	97,344
Licenses and Permits.....	579	618
Fines, Forfeitures and Penalties.....	735	1,190
Revenue from Use of Money and Property.....	12,853	12,494
Revenue from Federal Agencies.....	1,000	1,000
Revenue from Other Agencies.....	5,500	6,038
Revenue from Private Sources.....	1,047	856
Charges for Current Services.....	9,571	9,820
Other Revenue.....	13,219	6,193
<b>TOTAL REVENUES.....</b>	<b>250,982</b>	<b>220,836</b>
<b>EXPENDITURES</b>		
Current:		
General Government and Support.....	2,754	10,480
Public Safety - Police.....	3,090	4,145
Public Safety - Fire and Life Safety and Homeland Security.....	6,418	6,818
Parks, Recreation, Culture and Leisure.....	91,784	120,765
Transportation.....	67,893	130,422
Sanitation and Health.....	1,262	1,372
Neighborhood Services.....	10,682	11,175
Capital Outlay.....	4,883	782
<b>TOTAL EXPENDITURES.....</b>	<b>188,766</b>	<b>285,959</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>62,216</b>	<b>(65,123)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from Proprietary Funds.....	5	-
Transfers from Other Funds.....	22,410	22,289
Transfers to Proprietary Funds.....	(3,256)	(3,256)
Transfers to Other Funds.....	(82,218)	(95,767)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(63,059)</b>	<b>(76,734)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(843)</b>	<b>(141,857)</b>
Fund Balances - Beginning.....	129,734	129,734
<b>FUND BALANCES - ENDING.....</b>	<b>\$ 128,891</b>	<b>\$ (12,123)</b>

Centre City Development Corporation		Southeastern Economic Development Corporation		Total		Variance with Final Budget Positive (Negative)
Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	
\$ -	\$ -	\$ -	\$ -	\$ 9,706	\$ 9,682	\$ 24
-	-	-	-	42,823	15,496	27,327
-	-	-	-	-	-	-
-	-	-	-	66,146	60,105	6,041
-	-	-	-	87,803	97,344	(9,541)
-	-	-	-	579	618	(39)
-	-	-	-	735	1,190	(455)
4	-	-	-	12,857	12,494	363
-	-	-	-	1,000	1,000	-
-	-	-	-	5,500	6,038	(538)
-	-	-	-	1,047	856	191
6,949	8,367	1,389	1,721	17,909	19,908	(1,999)
104	-	75	-	13,398	6,193	7,205
<u>7,057</u>	<u>8,367</u>	<u>1,464</u>	<u>1,721</u>	<u>259,503</u>	<u>230,924</u>	<u>28,579</u>
6,970	8,367	1,465	1,721	11,189	20,568	(9,379)
-	-	-	-	3,090	4,145	(1,055)
-	-	-	-	6,418	6,818	(400)
-	-	-	-	91,784	120,765	(28,981)
-	-	-	-	67,893	130,422	(62,529)
-	-	-	-	1,262	1,372	(110)
-	-	-	-	10,682	11,175	(493)
-	-	-	-	4,883	782	4,101
<u>6,970</u>	<u>8,367</u>	<u>1,465</u>	<u>1,721</u>	<u>197,201</u>	<u>296,047</u>	<u>(98,846)</u>
87	-	(1)	-	62,302	(65,123)	127,425
-	-	-	-	5	-	5
-	-	-	-	22,410	22,289	121
-	-	-	-	(3,256)	(3,256)	-
(220)	-	-	-	(82,438)	(95,767)	13,329
(220)	-	-	-	(63,279)	(76,734)	13,455
(133)	-	(1)	-	(977)	(141,857)	140,880
<u>1,480</u>	<u>1,480</u>	<u>228</u>	<u>228</u>	<u>131,442</u>	<u>131,442</u>	<u>-</u>
\$ 1,347	\$ 1,480	\$ 227	\$ 228	\$ 130,465	\$ (10,415)	\$ 140,880

CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING BALANCE SHEET  
June 30, 2011  
(In Thousands)

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Public Transportation	Qualcomm Stadium Operations	Special Gas Tax Street Improvement
<b>ASSETS</b>					
Cash and Investments.....	\$ 33,820	\$ 721	\$ 667	\$ 5,128	\$ 11,986
Receivables:					
Taxes - Net of Allowance for Uncollectibles (Zoological Exhibits \$232)....	-	2,998	-	-	-
Accounts - Net of Allowance for Uncollectibles (TOT \$18,930, Other - Unbudgeted \$810) .....	496	-	-	559	58
Claims.....	-	-	-	-	8
Special Assessments.....	2,061	-	-	-	-
Notes.....	-	-	-	-	-
Accrued Interest.....	51	16	1	9	22
Grants.....	-	-	-	-	-
Advances to Other Funds.....	-	-	-	-	-
Advances to Other Agencies.....	4,832	-	-	-	-
Prepaid Items.....	-	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 41,260</b>	<b>\$ 3,735</b>	<b>\$ 668</b>	<b>\$ 5,696</b>	<b>\$ 12,074</b>
<b>LIABILITIES</b>					
Accounts Payable.....	\$ 4,069	\$ 17	\$ -	\$ 288	\$ 23
Accrued Wages and Benefits.....	163	-	-	123	6
Other Accrued Liabilities.....	-	-	-	-	-
Due to Other Agencies.....	-	-	-	-	-
Unearned Revenue.....	-	-	-	-	-
Deferred Revenue.....	499	-	-	544	52
Sundry Trust Liabilities.....	-	-	-	-	-
Contract Deposits.....	-	-	-	3	-
<b>TOTAL LIABILITIES.....</b>	<b>4,731</b>	<b>17</b>	<b>-</b>	<b>958</b>	<b>81</b>
<b>FUND EQUITY</b>					
Fund Balances:					
Nonspendable.....	-	-	-	-	-
Restricted.....	36,089	3,718	-	-	11,993
Committed.....	522	-	668	4,738	-
Unassigned.....	(82)	-	-	-	-
<b>TOTAL FUND EQUITY.....</b>	<b>36,529</b>	<b>3,718</b>	<b>668</b>	<b>4,738</b>	<b>11,993</b>
<b>TOTAL LIABILITIES AND FUND EQUITY.....</b>	<b>\$ 41,260</b>	<b>\$ 3,735</b>	<b>\$ 668</b>	<b>\$ 5,696</b>	<b>\$ 12,074</b>

Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Unbudgeted		Total
					Grants	Other Special Revenue	
\$ 350	\$ 7,502	\$ 46,705	\$ 5,940	\$ 29,546	\$ 2,293	\$ 118,094	\$ 262,752
-	6,204	11,508	630	-	-	-	21,340
-	7,516	-	-	1,351	2	766	10,748
-	-	-	-	-	-	-	8
-	-	-	-	-	-	-	2,061
-	-	-	-	-	-	3,420	3,420
-	-	72	-	38	27	161	397
-	-	-	-	-	26,683	8	26,691
-	-	-	-	-	-	6,446	6,446
-	-	-	-	-	-	50	4,882
-	107	-	-	-	-	4	111
<u>\$ 350</u>	<u>\$ 21,329</u>	<u>\$ 58,285</u>	<u>\$ 6,570</u>	<u>\$ 30,935</u>	<u>\$ 29,005</u>	<u>\$ 128,949</u>	<u>\$ 338,856</u>
\$ -	\$ 2,362	\$ 18,231	\$ 5,744	\$ 474	\$ 8,054	\$ 4,465	\$ 43,727
-	52	22	-	165	-	50	581
-	-	-	-	1	-	-	1
-	-	-	-	-	3,298	-	3,298
-	-	-	63	-	3,052	-	3,115
-	7,270	-	580	52	9,508	4,122	22,627
-	-	-	-	-	1	-	1
-	-	-	-	-	-	-	3
-	9,684	18,253	6,387	692	23,913	8,637	73,353
-	107	-	-	-	-	4	111
-	-	40,032	183	14,856	14,607	82,834	204,312
350	11,538	-	-	15,387	-	37,730	70,933
-	-	-	-	-	(9,515)	(256)	(9,853)
<u>350</u>	<u>11,645</u>	<u>40,032</u>	<u>183</u>	<u>30,243</u>	<u>5,092</u>	<u>120,312</u>	<u>265,503</u>
<u>\$ 350</u>	<u>\$ 21,329</u>	<u>\$ 58,285</u>	<u>\$ 6,570</u>	<u>\$ 30,935</u>	<u>\$ 29,005</u>	<u>\$ 128,949</u>	<u>\$ 338,856</u>

**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2011**  
(In Thousands)

	<b>Budgeted</b>				
	<b>Acquisition, Improvement and Operations</b>	<b>Environmental Growth</b>	<b>Public Transportation</b>	<b>Qualcomm Stadium Operations</b>	<b>Special Gas Tax Street Improvement</b>
<b>REVENUES</b>					
Property Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments.....	42,823	-	-	-	-
Transient Occupancy Taxes.....	-	-	-	-	-
Other Local Taxes.....	-	11,708	-	-	21,220
Licenses and Permits.....	1	-	-	8	-
Fines, Forfeitures and Penalties.....	25	-	-	-	-
Revenue from Use of Money and Property.....	331	63	7	6,428	290
Revenue from Federal Agencies.....	-	-	-	-	-
Revenue from Other Agencies.....	-	-	-	-	-
Revenue from Private Sources.....	-	-	-	-	-
Charges for Current Services.....	3,100	-	-	30	-
Other Revenue.....	274	-	-	322	17
<b>TOTAL REVENUES.....</b>	<b>46,554</b>	<b>11,771</b>	<b>7</b>	<b>6,788</b>	<b>21,527</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	1,390	-	-	-	25
Public Safety - Police.....	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	-	-	-	-	-
Parks, Recreation, Culture and Leisure.....	34,223	1,869	-	9,808	-
Transportation.....	-	-	14	-	-
Sanitation and Health.....	-	-	-	-	-
Neighborhood Services.....	9,002	-	-	-	-
Capital Outlay.....	425	125	-	206	-
Debt Service:					
Principal Retirement.....	-	-	-	-	-
Interest on Long-Term Debt.....	-	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>45,040</b>	<b>1,994</b>	<b>14</b>	<b>10,014</b>	<b>25</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>1,514</b>	<b>9,777</b>	<b>(7)</b>	<b>(3,226)</b>	<b>21,502</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds.....	5	-	-	-	-
Transfers from Other Funds.....	2,131	-	732	8,032	-
Transfers to Proprietary Funds.....	-	-	-	-	-
Transfers to Other Funds.....	(3)	(9,896)	(1,156)	(3,063)	(9,673)
Proceeds from the Sale of Capital Assets.....	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,133</b>	<b>(9,896)</b>	<b>(424)</b>	<b>4,969</b>	<b>(9,673)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>3,647</b>	<b>(119)</b>	<b>(431)</b>	<b>1,743</b>	<b>11,829</b>
Fund Balances at Beginning of Year.....	32,882	3,837	1,099	2,995	164
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 36,529</b>	<b>\$ 3,718</b>	<b>\$ 668</b>	<b>\$ 4,738</b>	<b>\$ 11,993</b>



Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Unbudgeted		Total
					Grants	Other Special Revenue	
\$ -	\$ -	\$ -	\$ 9,706	\$ -	\$ -	\$ 47	\$ 9,753
-	-	-	-	-	-	-	42,823
-	66,146	-	-	-	-	-	66,146
-	-	43,871	-	11,004	-	-	87,803
-	52	-	-	518	-	3	582
-	-	-	-	710	-	1,011	1,746
5	1,075	484	34	3,382	(186)	7,567	19,480
-	-	-	-	1,000	69,366	-	70,366
-	4,500	-	-	1,000	7,728	288	13,516
-	1,047	-	-	-	-	329	1,376
-	42	90	-	6,309	-	5,793	15,364
-	-	-	-	12,606	354	12,870	26,443
<u>5</u>	<u>72,862</u>	<u>44,445</u>	<u>9,740</u>	<u>36,529</u>	<u>77,262</u>	<u>27,908</u>	<u>355,398</u>
-	-	-	-	56	2,667	4,385	8,523
-	-	-	-	3,090	9,292	53	12,435
-	-	-	-	6,415	18,892	674	25,981
-	29,482	-	9,682	200	343	3,967	89,574
-	-	51,776	-	13,523	-	373	65,686
-	-	-	-	1,242	2,204	-	3,446
-	-	-	-	-	15,421	5,691	30,114
-	-	4,101	-	26	7,092	29,954	41,929
-	-	-	-	-	14,698	455	15,153
-	-	-	-	-	2,140	394	2,534
-	<u>29,482</u>	<u>55,877</u>	<u>9,682</u>	<u>24,552</u>	<u>72,749</u>	<u>45,946</u>	<u>295,375</u>
<u>5</u>	<u>43,380</u>	<u>(11,432)</u>	<u>58</u>	<u>11,977</u>	<u>4,513</u>	<u>(18,038)</u>	<u>60,023</u>
-	-	-	-	-	-	5,392	5,397
-	11,319	-	65	131	444	69,268	92,122
-	-	-	-	(3,256)	(392)	(64)	(3,712)
(5)	(50,960)	(6)	(34)	(7,546)	(97)	(17,554)	(99,993)
-	-	-	-	-	639	143	782
<u>(5)</u>	<u>(39,641)</u>	<u>(6)</u>	<u>31</u>	<u>(10,671)</u>	<u>594</u>	<u>57,185</u>	<u>(5,404)</u>
-	3,739	(11,438)	89	1,306	5,107	39,147	54,619
<u>350</u>	<u>7,906</u>	<u>51,470</u>	<u>94</u>	<u>28,937</u>	<u>(15)</u>	<u>81,165</u>	<u>210,884</u>
<u>\$ 350</u>	<u>\$ 11,645</u>	<u>\$ 40,032</u>	<u>\$ 183</u>	<u>\$ 30,243</u>	<u>\$ 5,092</u>	<u>\$ 120,312</u>	<u>\$ 265,503</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)  
YEAR ENDED JUNE 30, 2011  
(In Thousands)

	Acquisition, Improvement and Operations				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>REVENUES</b>					
Property Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments.....	42,823	-	42,823	15,496	27,327
Transient Occupancy Taxes.....	-	-	-	-	-
Other Local Taxes.....	-	-	-	-	-
Licenses and Permits.....	1	-	1	-	1
Fines, Forfeitures and Penalties.....	25	-	25	25	-
Revenue from Use of Money and Property.....	331	21	352	401	(49)
Revenue from Federal Agencies.....	-	-	-	-	-
Revenue from Other Agencies.....	-	-	-	-	-
Revenue from Private Sources.....	-	-	-	-	-
Charges for Current Services.....	3,100	-	3,100	2,646	454
Other Revenue.....	274	-	274	10	264
<b>TOTAL REVENUES.....</b>	<b>46,554</b>	<b>21</b>	<b>46,575</b>	<b>18,578</b>	<b>27,997</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	1,390	308	1,698	1,897	199
Public Safety - Police.....	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	-	-	-	-	-
Parks, Recreation, Culture and Leisure.....	34,223	6,287	40,510	65,286	24,776
Transportation.....	-	-	-	-	-
Sanitation and Health.....	-	-	-	-	-
Neighborhood Services.....	9,002	1,680	10,682	11,175	493
Capital Projects.....	425	-	425	425	-
<b>TOTAL EXPENDITURES.....</b>	<b>45,040</b>	<b>8,275</b>	<b>53,315</b>	<b>78,783</b>	<b>25,468</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>1,514</b>	<b>(8,254)</b>	<b>(6,740)</b>	<b>(60,205)</b>	<b>53,465</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds.....	5	-	5	-	5
Transfers from Other Funds.....	2,131	-	2,131	1,892	239
Transfers to Proprietary Funds.....	-	-	-	-	-
Transfers to Other Funds.....	(3)	-	(3)	(3)	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,133</b>	<b>-</b>	<b>2,133</b>	<b>1,889</b>	<b>244</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>3,647</b>	<b>(8,254)</b>	<b>(4,607)</b>	<b>(58,316)</b>	<b>53,709</b>
Fund Balances - Beginning.....	32,882	-	32,882	32,882	-
<b>FUND BALANCES - ENDING.....</b>	<b>\$ 36,529</b>	<b>\$ (8,254)</b>	<b>\$ 28,275</b>	<b>\$ (25,434)</b>	<b>\$ 53,709</b>

Environmental Growth					Public Transportation				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
11,708	-	11,708	12,444	(736)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
63	-	63	107	(44)	7	3	10	-	10
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
11,771	-	11,771	12,551	(780)	7	3	10	-	10
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,869	94	1,963	3,138	1,175	-	-	-	-	-
-	-	-	-	-	14	-	14	27	13
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
125	-	125	125	-	-	-	-	-	-
1,994	94	2,088	3,263	1,175	14	-	14	27	13
9,777	(94)	9,683	9,288	395	(7)	3	(4)	(27)	23
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	732	-	732	732	-
-	-	-	-	-	-	-	-	-	-
(9,896)	124	(9,772)	(11,806)	2,034	(1,156)	-	(1,156)	(1,156)	-
(9,896)	124	(9,772)	(11,806)	2,034	(424)	-	(424)	(424)	-
(119)	30	(89)	(2,518)	2,429	(431)	3	(428)	(451)	23
3,837	-	3,837	3,837	-	1,099	-	1,099	1,099	-
\$ 3,718	\$ 30	\$ 3,748	\$ 1,319	\$ 2,429	\$ 668	\$ 3	\$ 671	\$ 648	\$ 23

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CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 YEAR ENDED JUNE 30, 2011  
 (In Thousands)

	Qualcomm Stadium Operations				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>REVENUES</b>					
Property Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments.....	-	-	-	-	-
Transient Occupancy Taxes.....	-	-	-	-	-
Other Local Taxes.....	-	-	-	-	-
Licenses and Permits.....	8	-	8	4	4
Fines, Forfeitures and Penalties.....	-	-	-	-	-
Revenue from Use of Money and Property.....	6,428	7	6,435	6,046	389
Revenue from Federal Agencies.....	-	-	-	-	-
Revenue from Other Agencies.....	-	-	-	-	-
Revenue from Private Sources.....	-	-	-	-	-
Charges for Current Services.....	30	-	30	243	(213)
Other Revenue.....	322	-	322	47	275
<b>TOTAL REVENUES.....</b>	<b>6,788</b>	<b>7</b>	<b>6,795</b>	<b>6,340</b>	<b>455</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	-	-	-	-	-
Public Safety - Police.....	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	-	-	-	-	-
Parks, Recreation, Culture and Leisure.....	9,808	134	9,942	12,768	2,826
Transportation.....	-	-	-	-	-
Sanitation and Health.....	-	-	-	-	-
Neighborhood Services.....	-	-	-	-	-
Capital Outlay.....	206	-	206	206	-
<b>TOTAL EXPENDITURES.....</b>	<b>10,014</b>	<b>134</b>	<b>10,148</b>	<b>12,974</b>	<b>2,826</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(3,226)</b>	<b>(127)</b>	<b>(3,353)</b>	<b>(6,634)</b>	<b>3,281</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds.....	-	-	-	-	-
Transfers from Other Funds.....	8,032	-	8,032	8,232	(200)
Transfers to Proprietary Funds.....	-	-	-	-	-
Transfers to Other Funds.....	(3,063)	-	(3,063)	(3,063)	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>4,969</b>	<b>-</b>	<b>4,969</b>	<b>5,169</b>	<b>(200)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1,743</b>	<b>(127)</b>	<b>1,616</b>	<b>(1,465)</b>	<b>3,081</b>
Fund Balances - Beginning.....	2,995	-	2,995	2,995	-
<b>FUND BALANCES - ENDING.....</b>	<b>\$ 4,738</b>	<b>\$ (127)</b>	<b>\$ 4,611</b>	<b>\$ 1,530</b>	<b>\$ 3,081</b>

Special Gas Tax Street Improvement					Street Division Operations				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
21,220	-	21,220	21,229	(9)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
290	(56)	234	398	(164)	5	-	5	5	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
17	-	17	-	17	-	-	-	-	-
21,527	(56)	21,471	21,627	(156)	5	-	5	5	-
25	-	25	25	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	19	19	1,221	1,202	-	-	-	327	327
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
25	19	44	1,246	1,202	-	-	-	327	327
21,502	(75)	21,427	20,381	1,046	5	-	5	(322)	327
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(9,673)	-	(9,673)	(20,381)	10,708	(5)	-	(5)	(5)	-
(9,673)	-	(9,673)	(20,381)	10,708	(5)	-	(5)	(5)	-
11,829	(75)	11,754	-	11,754	-	-	-	(327)	327
164	-	164	164	-	350	-	350	350	-
\$ 11,993	\$ (75)	\$ 11,918	\$ 164	\$ 11,754	\$ 350	\$ -	\$ 350	\$ 23	\$ 327

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CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 YEAR ENDED JUNE 30, 2011  
 (In Thousands)

	Transient Occupancy Tax				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>REVENUES</b>					
Property Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments.....	-	-	-	-	-
Transient Occupancy Taxes.....	66,146	-	66,146	60,105	6,041
Other Local Taxes.....	-	-	-	-	-
Licenses and Permits.....	52	-	52	50	2
Fines, Forfeitures and Penalties.....	-	-	-	-	-
Revenue from Use of Money and Property.....	1,075	20	1,095	1,341	(246)
Revenue from Federal Agencies.....	-	-	-	-	-
Revenue from Other Agencies.....	4,500	-	4,500	4,500	-
Revenue from Private Sources.....	1,047	-	1,047	856	191
Charges for Current Services.....	42	-	42	110	(68)
Other Revenue.....	-	-	-	-	-
<b>TOTAL REVENUES.....</b>	<b>72,862</b>	<b>20</b>	<b>72,882</b>	<b>66,962</b>	<b>5,920</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	-	-	-	-	-
Public Safety - Police.....	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	-	-	-	-	-
Parks, Recreation, Culture and Leisure.....	29,482	5	29,487	29,670	183
Transportation.....	-	-	-	-	-
Sanitation and Health.....	-	-	-	-	-
Neighborhood Services.....	-	-	-	-	-
Capital Projects.....	-	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>29,482</b>	<b>5</b>	<b>29,487</b>	<b>29,670</b>	<b>183</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>43,380</b>	<b>15</b>	<b>43,395</b>	<b>37,292</b>	<b>6,103</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds.....	-	-	-	-	-
Transfers from Other Funds.....	11,319	-	11,319	11,318	1
Transfers to Proprietary Funds.....	-	-	-	-	-
Transfers to Other Funds.....	(50,960)	-	(50,960)	(51,496)	536
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(39,641)</b>	<b>-</b>	<b>(39,641)</b>	<b>(40,178)</b>	<b>537</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>3,739</b>	<b>15</b>	<b>3,754</b>	<b>(2,886)</b>	<b>6,640</b>
Fund Balances - Beginning.....	7,906	-	7,906	7,906	-
<b>FUND BALANCES - ENDING.....</b>	<b>\$ 11,645</b>	<b>\$ 15</b>	<b>\$ 11,660</b>	<b>\$ 5,020</b>	<b>\$ 6,640</b>

Underground Surcharge					Zoological Exhibits				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,706	\$ -	\$ 9,706	\$ 9,682	\$ 24
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
43,871	-	43,871	50,358	(6,487)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
484	29	513	550	(37)	34	-	34	34	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
90	-	90	-	90	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
44,445	29	44,474	50,908	(6,434)	9,740	-	9,740	9,716	24
-	975	975	8,498	7,523	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	9,682	-	9,682	9,682	-
51,776	2,472	54,248	111,588	57,340	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
4,101	-	4,101	-	(4,101)	-	-	-	-	-
55,877	3,447	59,324	120,086	60,762	9,682	-	9,682	9,682	-
(11,432)	(3,418)	(14,850)	(69,178)	54,328	58	-	58	34	24
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	65	-	65	-	65
-	-	-	-	-	-	-	-	-	-
(6)	-	(6)	(6)	-	(34)	-	(34)	(34)	-
(6)	-	(6)	(6)	-	31	-	31	(34)	65
(11,438)	(3,418)	(14,856)	(69,184)	54,328	89	-	89	-	89
51,470	-	51,470	51,470	-	94	-	94	94	-
\$ 40,032	\$ (3,418)	\$ 36,614	\$ (17,714)	\$ 54,328	\$ 183	\$ -	\$ 183	\$ 94	\$ 89

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)  
 YEAR ENDED JUNE 30, 2011  
 (In Thousands)

	Other Special Revenue				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>REVENUES</b>					
Property Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments.....	-	-	-	-	-
Transient Occupancy Taxes.....	-	-	-	-	-
Other Local Taxes.....	11,004	-	11,004	13,313	(2,309)
Licenses and Permits.....	518	-	518	564	(46)
Fines, Forfeitures and Penalties.....	710	-	710	1,165	(455)
Revenue from Use of Money and Property.....	3,382	730	4,112	3,612	500
Revenue from Federal Agencies.....	1,000	-	1,000	1,000	-
Revenue from Other Agencies.....	1,000	-	1,000	1,538	(538)
Revenue from Private Sources.....	-	-	-	-	-
Charges for Current Services.....	6,309	-	6,309	6,821	(512)
Other Revenue.....	12,606	-	12,606	6,136	6,470
<b>TOTAL REVENUES.....</b>	<b>36,529</b>	<b>730</b>	<b>37,259</b>	<b>34,149</b>	<b>3,110</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	56	-	56	60	4
Public Safety - Police.....	3,090	-	3,090	4,145	1,055
Public Safety - Fire and Life Safety and Homeland Security.....	6,415	3	6,418	6,818	400
Parks, Recreation, Culture and Leisure.....	200	-	200	221	21
Transportation.....	13,523	89	13,612	17,259	3,647
Sanitation and Health.....	1,242	20	1,262	1,372	110
Neighborhood Services.....	-	-	-	-	-
Capital Projects.....	26	-	26	26	-
<b>TOTAL EXPENDITURES.....</b>	<b>24,552</b>	<b>112</b>	<b>24,664</b>	<b>29,901</b>	<b>5,237</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>11,977</b>	<b>618</b>	<b>12,595</b>	<b>4,248</b>	<b>8,347</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds.....	-	-	-	-	-
Transfers from Other Funds.....	131	-	131	115	16
Transfers to Proprietary Funds.....	(3,256)	-	(3,256)	(3,256)	-
Transfers to Other Funds.....	(7,546)	-	(7,546)	(7,817)	271
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(10,671)</b>	<b>-</b>	<b>(10,671)</b>	<b>(10,958)</b>	<b>287</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1,306</b>	<b>618</b>	<b>1,924</b>	<b>(6,710)</b>	<b>8,634</b>
Fund Balances - Beginning.....	28,937	-	28,937	28,937	-
<b>FUND BALANCES - ENDING.....</b>	<b>\$ 30,243</b>	<b>\$ 618</b>	<b>\$ 30,861</b>	<b>\$ 22,227</b>	<b>\$ 8,634</b>



Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ 9,706	\$ -	\$ 9,706	\$ 9,682	\$ 24
42,823	-	42,823	15,496	27,327
66,146	-	66,146	60,105	6,041
87,803	-	87,803	97,344	(9,541)
579	-	579	618	(39)
735	-	735	1,190	(455)
12,099	754	12,853	12,494	359
1,000	-	1,000	1,000	-
5,500	-	5,500	6,038	(538)
1,047	-	1,047	856	191
9,571	-	9,571	9,820	(249)
<u>13,219</u>	<u>-</u>	<u>13,219</u>	<u>6,193</u>	<u>7,026</u>
<u>250,228</u>	<u>754</u>	<u>250,982</u>	<u>220,836</u>	<u>30,146</u>
1,471	1,283	2,754	10,480	7,726
3,090	-	3,090	4,145	1,055
6,415	3	6,418	6,818	400
85,264	6,520	91,784	120,765	28,981
65,313	2,580	67,893	130,422	62,529
1,242	20	1,262	1,372	110
9,002	1,680	10,682	11,175	493
4,883	-	4,883	782	(4,101)
<u>176,680</u>	<u>12,086</u>	<u>188,766</u>	<u>285,959</u>	<u>97,193</u>
<u>73,548</u>	<u>(11,332)</u>	<u>62,216</u>	<u>(65,123)</u>	<u>127,339</u>
5	-	5	-	5
22,410	-	22,410	22,289	121
(3,256)	-	(3,256)	(3,256)	-
<u>(82,342)</u>	<u>124</u>	<u>(82,218)</u>	<u>(95,767)</u>	<u>13,549</u>
<u>(63,183)</u>	<u>124</u>	<u>(63,059)</u>	<u>(76,734)</u>	<u>13,675</u>
10,365	(11,208)	(843)	(141,857)	141,014
<u>129,734</u>	<u>-</u>	<u>129,734</u>	<u>129,734</u>	<u>-</u>
<u>\$ 140,099</u>	<u>\$ (11,208)</u>	<u>\$ 128,891</u>	<u>\$ (12,123)</u>	<u>\$ 141,014</u>

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**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
ENVIRONMENTAL GROWTH FUND  
COMBINING BALANCE SHEET  
June 30, 2011  
(In Thousands)**

	<u>Two-Thirds Requirement</u>	<u>One-Third Requirement</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Investments.....	\$ 165	\$ 556	\$ 721
Receivables:			
Taxes - Net.....	1,999	999	2,998
Accrued Interest.....	12	4	16
<b>TOTAL ASSETS.....</b>	<b><u>\$ 2,176</u></b>	<b><u>\$ 1,559</u></b>	<b><u>\$ 3,735</u></b>
<b>LIABILITIES</b>			
Accounts Payable.....	\$ 5	\$ 12	\$ 17
<b>FUND EQUITY</b>			
Fund Balances:			
Restricted .....	2,171	1,547	3,718
<b>TOTAL LIABILITIES AND FUND EQUITY.....</b>	<b><u>\$ 2,176</u></b>	<b><u>\$ 1,559</u></b>	<b><u>\$ 3,735</u></b>

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2011  
(In Thousands)**

	<u>Two-Thirds Requirement</u>	<u>One-Third Requirement</u>	<u>Total</u>
<b>REVENUES</b>			
Other Local Taxes.....	\$ 7,806	\$ 3,902	\$ 11,708
Revenue from Use of Money and Property.....	44	19	63
<b>TOTAL REVENUES.....</b>	<b><u>7,850</u></b>	<b><u>3,921</u></b>	<b><u>11,771</u></b>
<b>EXPENDITURES</b>			
Current:			
Parks, Recreation, Culture and Leisure.....	35	1,834	1,869
Capital Projects.....	43	82	125
<b>TOTAL EXPENDITURES.....</b>	<b><u>78</u></b>	<b><u>1,916</u></b>	<b><u>1,994</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES.....</b>	<b><u>7,772</u></b>	<b><u>2,005</u></b>	<b><u>9,777</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to Other Funds.....	(7,743)	(2,153)	(9,896)
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>29</b>	<b>(148)</b>	<b>(119)</b>
Fund Balances at Beginning of Year.....	2,142	1,695	3,837
<b>FUND BALANCES AT END OF YEAR.....</b>	<b><u>\$ 2,171</u></b>	<b><u>\$ 1,547</u></b>	<b><u>\$ 3,718</u></b>

CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
ENVIRONMENTAL GROWTH FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2011  
(In Thousands)

	Two-Thirds Requirement				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>REVENUES</b>					
Other Local Taxes.....	\$ 7,806	\$ -	\$ 7,806	\$ 8,296	\$ (490)
Revenue from Use of Money and Property.....	44	(1)	43	54	(11)
<b>TOTAL REVENUES.....</b>	<b>7,850</b>	<b>(1)</b>	<b>7,849</b>	<b>8,350</b>	<b>(501)</b>
<b>EXPENDITURES</b>					
Current:					
Parks, Recreation, Culture and Leisure.....	35	94	129	576	447
Capital Projects.....	43	-	43	43	-
<b>TOTAL EXPENDITURES.....</b>	<b>78</b>	<b>94</b>	<b>172</b>	<b>619</b>	<b>447</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>7,772</b>	<b>(95)</b>	<b>7,677</b>	<b>7,731</b>	<b>(54)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers to Other Funds.....	(7,743)	-	(7,743)	(9,632)	1,889
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(7,743)</b>	<b>-</b>	<b>(7,743)</b>	<b>(9,632)</b>	<b>1,889</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>29</b>	<b>(95)</b>	<b>(66)</b>	<b>(1,901)</b>	<b>1,835</b>
Fund Balances - Beginning .....	2,142	-	2,142	2,142	-
<b>FUND BALANCES - ENDING .....</b>	<b>\$ 2,171</b>	<b>\$ (95)</b>	<b>\$ 2,076</b>	<b>\$ 241</b>	<b>\$ 1,835</b>

One-Third Requirement					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ 3,902	\$ -	\$ 3,902	\$ 4,148	\$ (246)	\$ 11,708	\$ -	\$ 11,708	\$ 12,444	\$ (736)
19	1	20	53	(33)	63	-	63	107	(44)
3,921	1	3,922	4,201	(279)	11,771	-	11,771	12,551	(780)
1,834	-	1,834	2,562	728	1,869	94	1,963	3,138	1,175
82	-	82	82	-	125	-	125	125	-
1,916	-	1,916	2,644	728	1,994	94	2,088	3,263	1,175
2,005	1	2,006	1,557	449	9,777	(94)	9,683	9,288	395
(2,153)	124	(2,029)	(2,174)	145	(9,896)	124	(9,772)	(11,806)	2,034
(2,153)	124	(2,029)	(2,174)	145	(9,896)	124	(9,772)	(11,806)	2,034
(148)	125	(23)	(617)	594	(119)	30	(89)	(2,518)	2,429
1,695	-	1,695	1,695	-	3,837	-	3,837	3,837	-
<u>\$ 1,547</u>	<u>\$ 125</u>	<u>\$ 1,672</u>	<u>\$ 1,078</u>	<u>\$ 594</u>	<u>\$ 3,718</u>	<u>\$ 30</u>	<u>\$ 3,748</u>	<u>\$ 1,319</u>	<u>\$ 2,429</u>

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NON MAJOR 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.

### **CITY OF SAN DIEGO**

#### PUBLIC SAFETY COMMUNICATIONS PROJECT

This fund was established to account for the payment of principal and interest on general obligation bonds issued in 1991. These bonds are serviced by property taxes.

#### QUALIFIED ENERGY CONSERVATION BONDS (QECB)

This fund was established to account for the initial receipt and principal and interest payments related to a taxable QECB Equipment Lease issued pursuant to the America Recovery and Reinvestment Act of 2009. The QECB financing is eligible for the direct interest subsidy payment from the U.S. Department of the Treasury within the meaning of Section 54D(a) of the Internal Revenue Code of 1986, as amended. The QECB Lease was issued to fund the Broad Spectrum Street Lighting Conversion Program and will be paid from annual appropriations payable out of any source of legally available funds.

### **BLENDED COMPONENT UNITS**

#### CITY OF SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD (MTDB) AUTHORITY

This fund was established to account for the debt service activities of the City of San Diego Metropolitan Transit Development Board Authority (MTDB). MTDB was created to acquire and construct mass public transit guideways, systems and related facilities. MTDB's debt service fund is used to account for the payment of long-term debt principal and interest. This fund is serviced by investment income, lease payments from the City of San Diego, and proceeds from lease revenue bonds and certificates of participation.

#### CONVENTION CENTER EXPANSION FINANCING AUTHORITY

This fund was established to account for the debt service activities of the Convention Center Expansion Financing Authority (CCEFA). CCEFA, created by the City of San Diego and the Port of San Diego, facilitates the financing, acquisition and construction of an expansion to the existing 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

This fund was established to account for the debt service activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City of San Diego and RDA, facilitates the financing, acquisition and construction of public capital facility improvements of RDA or the City. PFFA's debt service fund is used to account for the payment of long-term debt principal and interest.

#### REDEVELOPMENT AGENCY

This fund was established to account for the debt service activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. This fund is serviced by property tax increments, sale of real estate, and investment income.

#### SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION

This fund was established to account for the debt service activities of the San Diego Facilities and Equipment Leasing Corporation (SDFELC). SDFELC was established to acquire and lease to the City of San Diego real and personal property to be used in the municipal operations of the City. The City makes lease payments from annual appropriations payable out of any source of legally available funds.

#### TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION

This fund was established to account for the debt service activities of the Tobacco Settlement Revenue Funding Corporation (TSRFC). The 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.

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**NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE**  
**COMBINING BALANCE SHEET**  
**June 30, 2011**  
**(In Thousands)**

	City of San Diego	City of San Diego/MTDB Authority	Convention Center Expansion Financing Authority
<b>ASSETS</b>			
Receivables:			
Taxes.....	\$ 16	\$ -	\$ -
Accounts.....	-	-	-
Accrued Interest.....	4	-	-
Interfund Loan Receivable.....	-	-	-
Advances to Other Funds.....	-	-	-
Restricted Cash and Investments.....	2,761	20	-
<b>TOTAL ASSETS.....</b>	<b>\$ 2,781</b>	<b>\$ 20</b>	<b>\$ -</b>
<b>LIABILITIES</b>			
Deferred Revenue.....	\$ -	\$ -	\$ -
Advances from Other Funds.....	-	-	-
Interfund Loan Payable.....	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND EQUITY</b>			
Fund Balances:			
Nonspendable.....	-	-	-
Restricted.....	2,781	20	-
<b>TOTAL FUND EQUITY.....</b>	<b>2,781</b>	<b>20</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND EQUITY.....</b>	<b>\$ 2,781</b>	<b>\$ 20</b>	<b>\$ -</b>

<u>Public Facilities Financing Authority</u>	<u>Redevelopment Agency</u>	<u>San Diego Facilities and Equipment Leasing Corporation</u>	<u>Tobacco Settlement Revenue Funding Corporation</u>	<u>Total</u>
\$ -	\$ 4,978	\$ -	\$ -	\$ 4,994
-	-	-	4,913	4,913
1	332	-	-	337
32,010	-	-	-	32,010
-	1,738	-	-	1,738
<u>18,021</u>	<u>119,112</u>	<u>-</u>	<u>12,661</u>	<u>152,575</u>
<u>\$ 50,032</u>	<u>\$ 126,160</u>	<u>\$ -</u>	<u>\$ 17,574</u>	<u>\$ 196,567</u>
\$ -	\$ 2,776	\$ -	\$ 4,913	\$ 7,689
1,738	-	-	-	1,738
<u>-</u>	<u>10,644</u>	<u>-</u>	<u>-</u>	<u>10,644</u>
<u>1,738</u>	<u>13,420</u>	<u>-</u>	<u>4,913</u>	<u>20,071</u>
-	1,738	-	-	1,738
<u>48,294</u>	<u>111,002</u>	<u>-</u>	<u>12,661</u>	<u>174,758</u>
<u>48,294</u>	<u>112,740</u>	<u>-</u>	<u>12,661</u>	<u>176,496</u>
<u>\$ 50,032</u>	<u>\$ 126,160</u>	<u>\$ -</u>	<u>\$ 17,574</u>	<u>\$ 196,567</u>

**NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2011**  
(In Thousands)

	City of San Diego	City of San Diego/MTDB Authority	Convention Center Expansion Financing Authority
<b>REVENUES</b>			
Property Taxes.....	\$ 2,426	\$ -	\$ -
Revenue from Use of Money and Property.....	15	-	-
Revenue from Other Agencies.....	-	-	-
<b>TOTAL REVENUES.....</b>	<b>2,441</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>			
Current:			
General Government and Support.....	-	-	-
Neighborhood Services.....	-	-	-
Debt Service:			
Principal Retirement.....	2,100	700	5,760
Cost of Issuance.....	164	-	-
Interest on Long-Term Debt.....	219	456	7,938
<b>TOTAL EXPENDITURES.....</b>	<b>2,483</b>	<b>1,156</b>	<b>13,698</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES....</b>	<b>(42)</b>	<b>(1,156)</b>	<b>(13,698)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Other Funds.....	-	1,156	13,698
Transfers to Other Funds.....	-	-	-
QECB Lease Issued .....	195	-	-
Tax Allocation Bonds Issued.....	-	-	-
Discount on Bonds Issued.....	-	-	-
Premium on Bonds Issued.....	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>195</b>	<b>1,156</b>	<b>13,698</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>153</b>	<b>-</b>	<b>-</b>
Fund Balances at Beginning of Year.....	2,628	20	-
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 2,781</b>	<b>\$ 20</b>	<b>\$ -</b>

<b>Public Facilities Financing Authority</b>	<b>Redevelopment Agency</b>	<b>San Diego Facilities and Equipment Leasing Corporation</b>	<b>Tobacco Settlement Revenue Funding Corporation</b>	<b>Total</b>
\$ -	\$ 110,859	\$ -	\$ -	\$ 113,285
126	1,522	-	489	2,152
-	-	-	9,019	9,019
<u>126</u>	<u>112,381</u>	<u>-</u>	<u>9,508</u>	<u>124,456</u>
-	125	-	-	125
-	3,295	-	-	3,295
5,075	68,655	3,905	2,750	88,945
197	1,191	-	-	1,552
<u>16,742</u>	<u>33,061</u>	<u>383</u>	<u>6,580</u>	<u>65,379</u>
<u>22,014</u>	<u>106,327</u>	<u>4,288</u>	<u>9,330</u>	<u>159,296</u>
<u>(21,888)</u>	<u>6,054</u>	<u>(4,288)</u>	<u>178</u>	<u>(34,840)</u>
25,108	31,911	4,099	-	75,972
-	(235,284)	-	(33)	(235,317)
-	52,893	-	-	195
-	(1,585)	-	-	52,893
-	42	-	-	(1,585)
-	-	-	-	42
<u>25,108</u>	<u>(152,023)</u>	<u>4,099</u>	<u>(33)</u>	<u>(107,800)</u>
3,220	(145,969)	(189)	145	(142,640)
<u>45,074</u>	<u>258,709</u>	<u>189</u>	<u>12,516</u>	<u>319,136</u>
<u>\$ 48,294</u>	<u>\$ 112,740</u>	<u>\$ -</u>	<u>\$ 12,661</u>	<u>\$ 176,496</u>

**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
COMBINING BALANCE SHEET  
June 30, 2011  
(In Thousands)**

	<u>Budgeted</u>	<u>Unbudgeted</u>	
	<b>Public Safety Communications Project</b>	<b>Qualified Energy Conservation Bond</b>	<b>Total</b>
<b>ASSETS</b>			
Receivables:			
Taxes.....	\$ 16	\$ -	\$ 16
Accrued Interest.....	4	-	4
Restricted Cash and Investments.....	2,730	31	2,761
<b>TOTAL ASSETS.....</b>	<b>\$ 2,750</b>	<b>\$ 31</b>	<b>\$ 2,781</b>
<b>FUND EQUITY</b>			
Fund Balances:			
Nonspendable.....	-	-	-
Restricted.....	2,750	31	2,781

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2011  
(In Thousands)**

	<u>Budgeted</u>	<u>Unbudgeted</u>	
	<b>Public Safety Communications Project</b>	<b>Qualified Energy Conservation Bond</b>	<b>Total</b>
<b>REVENUES</b>			
Property Taxes.....	\$ 2,426	\$ -	\$ 2,426
Revenue from Use of Money and Property.....	15	-	15
<b>TOTAL REVENUES.....</b>	<b>2,441</b>	<b>-</b>	<b>2,441</b>
<b>EXPENDITURES</b>			
Debt Service:			
Principal Retirement.....	2,100	-	2,100
Cost of Issuance.....	-	164	164
Interest on Long-Term Debt.....	219	-	219
<b>TOTAL EXPENDITURES.....</b>	<b>2,319</b>	<b>164</b>	<b>2,483</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>122</b>	<b>(164)</b>	<b>(42)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
QECCB Lease Issued .....	-	195	195
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>195</b>	<b>195</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>122</b>	<b>31</b>	<b>153</b>
Fund Balances at Beginning of Year.....	2,628	-	2,628
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 2,750</b>	<b>\$ 31</b>	<b>\$ 2,781</b>



CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 YEAR ENDED JUNE 30, 2011  
 (In Thousands)

	Public Safety Communications Project				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>REVENUES</b>					
Property Taxes.....	\$ 2,426	\$ -	\$ 2,426	\$ 1,897	\$ 529
Revenue from Use of Money and Property.....	15	-	15	23	(8)
<b>TOTAL REVENUES.....</b>	<b>2,441</b>	<b>-</b>	<b>2,441</b>	<b>1,920</b>	<b>521</b>
<b>EXPENDITURES</b>					
Debt Service:					
Principal Retirement.....	2,100	-	2,100	2,100	-
Interest on Long-Term Debt.....	219	-	219	219	-
<b>TOTAL EXPENDITURES.....</b>	<b>2,319</b>	<b>-</b>	<b>2,319</b>	<b>2,319</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>122</b>	<b>-</b>	<b>122</b>	<b>(399)</b>	<b>521</b>
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>122</b>	<b>-</b>	<b>122</b>	<b>(399)</b>	<b>521</b>
Fund Balances - Beginning .....	2,628	-	2,628	2,628	-
<b>FUND BALANCES - ENDING.....</b>	<b>\$ 2,750</b>	<b>\$ -</b>	<b>\$ 2,750</b>	<b>\$ 2,229</b>	<b>\$ 521</b>

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NON MAJOR 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

#### CAPITAL OUTLAY

This fund was established per Section 77 of the City Charter to account for the acquisition, construction and completion of permanent public improvements and real property. Capital outlay fund revenues are derived from the sale of City-owned real property supplemented by sales tax revenue.

#### PARK & RECREATION DISTRICTS

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

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

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

This fund was established to account for Community Facilities Districts and Special Assessment Districts, which under various sections of State law, issues 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

This fund was established to account for transportation improvements funded by a local sales tax approved by voters in the County of San Diego. Funds are to help relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

#### OTHER CONSTRUCTION

This fund was established to account for a variety of capital projects such as park and street improvements and construction of public facilities in new development areas. Revenues in this fund are derived from such sources as contributions from developers, grants from Federal, State and other governmental agencies, special assessments, special taxes, fees, and interest derived there from.

#### REDEVELOPMENT COOPERATION AGREEMENT

This fund was established to account for transfers by the RDA, and related costs, pursuant to the Cooperation Agreement between the City and the RDA for the implementation of redevelopment projects.

#### **BLENDED COMPONENT UNITS**

##### PUBLIC FACILITIES FINANCING AUTHORITY

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 of San Diego and RDA, facilitates the financing and construction of public capital improvements of the City or RDA. Revenues are derived from the issuance of bonds and interest earnings on investments.

##### REDEVELOPMENT AGENCY

This fund was established to account for the capital improvement activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. Funds are derived from the City of San Diego, from the issuance of bonds for specific redevelopment projects, sale of real estate and investment income.

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**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING BALANCE SHEET**  
 June 30, 2011  
 (In Thousands)

	City of San Diego	Public Facilities Financing Authority	Redevelopment Agency	Total
<b>ASSETS</b>				
Cash and Investments.....	\$ 524,403	\$ 62,815	\$ 143,503	\$ 730,721
Receivables:				
Accounts.....	81,915	-	4	81,919
Notes.....	-	-	7,209	7,209
Accrued Interest.....	748	(49)	161	860
Grants.....	26,714	-	-	26,714
Advances to Other Funds.....	600	-	-	600
Advances to Other Agencies.....	-	-	341	341
Land Held for Resale.....	29,486	-	5,085	34,571
<b>TOTAL ASSETS.....</b>	<b>\$ 663,866</b>	<b>\$ 62,766</b>	<b>\$ 156,303</b>	<b>\$ 882,935</b>
<b>LIABILITIES</b>				
Accounts Payable.....	\$ 9,000	\$ 4,184	\$ 3,509	\$ 16,693
Due to Other Funds.....	6,510	-	673	7,183
Due to Other Agencies.....	55	-	-	55
Unearned Revenue.....	33,532	-	-	33,532
Deferred Revenue.....	79,979	-	-	79,979
Sundry Trust Liabilities.....	-	-	3,511	3,511
Advances from Other Funds.....	600	-	4,840	5,440
Interfund Loan Payable.....	3,487	-	17,093	20,580
<b>TOTAL LIABILITIES.....</b>	<b>133,163</b>	<b>4,184</b>	<b>29,626</b>	<b>166,973</b>
<b>FUND EQUITY</b>				
Fund Balances:				
Nonspendable.....	600	-	341	941
Restricted.....	528,867	58,582	127,076	714,525
Committed.....	20,212	-	-	20,212
Unassigned.....	(18,976)	-	(740)	(19,716)
<b>TOTAL FUND EQUITY.....</b>	<b>530,703</b>	<b>58,582</b>	<b>126,677</b>	<b>715,962</b>
<b>TOTAL LIABILITIES AND FUND EQUITY.....</b>	<b>\$ 663,866</b>	<b>\$ 62,766</b>	<b>\$ 156,303</b>	<b>\$ 882,935</b>



**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Year Ended June 30, 2011  
(In Thousands)

	City of San Diego	Public Facilities Financing Authority	Redevelopment Agency	Total
<b>REVENUES</b>				
Sales Taxes.....	\$ 16,204	\$ -	\$ -	\$ 16,204
Licenses and Permits.....	13,465	-	-	13,465
Fines, Forfeitures and Penalties.....	12	-	-	12
Revenue from Use of Money and Property.....	6,147	95	4,225	10,467
Revenue from Federal Agencies.....	14,316	-	-	14,316
Revenue from Other Agencies.....	23,284	-	36	23,320
Revenue from Private Sources.....	23,136	-	3,437	26,573
Other Revenue.....	78	-	897	975
<b>TOTAL REVENUES.....</b>	<b>96,642</b>	<b>95</b>	<b>8,595</b>	<b>105,332</b>
<b>EXPENDITURES</b>				
Current:				
General Government and Support.....	2,892	-	19,927	22,819
Public Safety - Police.....	82	-	-	82
Public Safety - Fire and Life Safety and Homeland Security.....	-	121	-	121
Parks, Recreation, Culture and Leisure.....	770	227	-	997
Transportation.....	6,778	-	-	6,778
Sanitation and Health.....	505	3	-	508
Neighborhood Services.....	4,161	-	20,048	24,209
Capital Outlay.....	52,308	35,988	11,135	99,431
Debt Service:				
Principal Retirement.....	285	-	-	285
Interest on Long-Term Debt.....	150	-	-	150
<b>TOTAL EXPENDITURES.....</b>	<b>67,931</b>	<b>36,339</b>	<b>51,110</b>	<b>155,380</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>28,711</b>	<b>(36,244)</b>	<b>(42,515)</b>	<b>(50,048)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Proprietary Funds.....	64	-	-	64
Transfers from Other Funds.....	247,449	-	204,661	452,110
Transfers to Other Funds.....	(14,403)	-	(334,318)	(348,721)
QECCB Lease Issued.....	12,947	-	-	12,947
Notes Issued.....	-	-	133	133
Loans Issued.....	345	-	-	345
Tax Allocation Bonds Issued.....	-	-	28,316	28,316
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>246,402</b>	<b>-</b>	<b>(101,208)</b>	<b>145,194</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>275,113</b>	<b>(36,244)</b>	<b>(143,723)</b>	<b>95,146</b>
Fund Balances at Beginning of Year.....	255,590	94,826	270,400	620,816
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 530,703</b>	<b>\$ 58,582</b>	<b>\$ 126,677</b>	<b>\$ 715,962</b>

CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
 COMBINING BALANCE SHEET  
 June 30, 2011  
 (In Thousands)

	Capital Outlay	Parks & Recreation Districts	Facilities Benefit Assesments
<b>ASSETS</b>			
Cash and Investments.....	\$ 25,422	\$ 6,458	\$ 143,154
Receivables:			
Accounts.....	5,206	-	-
Accrued Interest.....	52	11	216
Grants.....	26,685	-	-
Advances to Other Funds.....	600	-	-
Land Held for Resale.....	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 57,965</b>	<b>\$ 6,469</b>	<b>\$ 143,370</b>
<b>LIABILITIES</b>			
Accounts Payable.....	\$ 3,694	\$ -	\$ 3,911
Due to Other Funds.....	-	-	-
Due to Other Agencies.....	25	-	-
Unearned Revenue.....	32,601	-	-
Deferred Revenue.....	17,623	-	-
Advances from Other Funds.....	-	-	-
Interfund Loan Payable.....	-	-	3,487
<b>TOTAL LIABILITIES.....</b>	<b>53,943</b>	<b>-</b>	<b>7,398</b>
<b>FUND EQUITY</b>			
Fund Balances:			
Nonspendable.....	600	-	-
Restricted.....	21,103	-	135,972
Committed.....	-	6,469	-
Unassigned.....	(17,681)	-	-
<b>TOTAL FUND EQUITY.....</b>	<b>4,022</b>	<b>6,469</b>	<b>135,972</b>
<b>TOTAL LIABILITIES AND FUND EQUITY.....</b>	<b>\$ 57,965</b>	<b>\$ 6,469</b>	<b>\$ 143,370</b>

Impact Fees	Special Assesment/ Special Tax Bonds	TransNet	Other Construction	Redevelopment Cooperation Agreement	Total
\$ 57,978	\$ 4,420	\$ -	\$ 69,836	\$ 217,135	\$ 524,403
-	-	75,302	1,407	-	81,915
86	5	2	42	334	748
-	-	-	29	-	26,714
-	-	-	-	-	600
-	-	-	-	29,486	29,486
<u>\$ 58,064</u>	<u>\$ 4,425</u>	<u>\$ 75,304</u>	<u>\$ 71,314</u>	<u>\$ 246,955</u>	<u>\$ 663,866</u>
\$ 184	\$ -	\$ 698	\$ 513	\$ -	\$ 9,000
-	-	6,510	-	-	6,510
-	-	-	30	-	55
-	-	-	931	-	33,532
-	-	60,920	1,436	-	79,979
-	-	-	600	-	600
-	-	-	-	-	3,487
<u>184</u>	<u>-</u>	<u>68,128</u>	<u>3,510</u>	<u>-</u>	<u>133,163</u>
-	-	-	-	-	600
57,880	4,425	7,176	55,356	246,955	528,867
-	-	-	13,743	-	20,212
-	-	-	(1,295)	-	(18,976)
<u>57,880</u>	<u>4,425</u>	<u>7,176</u>	<u>67,804</u>	<u>246,955</u>	<u>530,703</u>
<u>\$ 58,064</u>	<u>\$ 4,425</u>	<u>\$ 75,304</u>	<u>\$ 71,314</u>	<u>\$ 246,955</u>	<u>\$ 663,866</u>

CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 Year Ended June 30, 2011  
 (In Thousands)

	Capital Outlay	Parks & Recreation Districts	Facilities Benefit Assesments
<b>REVENUES</b>			
Sales Taxes.....	\$ -	\$ -	\$ -
Licenses and Permits.....	-	-	1,388
Fines, Forfeitures and Penalties.....	-	-	-
Revenue from Use of Money and Property.....	797	72	1,492
Revenue from Federal Agencies.....	14,316	-	-
Revenue from Other Agencies.....	20,144	-	-
Revenue from Private Sources.....	-	-	21,867
Other Revenue.....	-	-	-
<b>TOTAL REVENUES.....</b>	<b>35,257</b>	<b>72</b>	<b>24,747</b>
<b>EXPENDITURES</b>			
Current:			
General Government and Support.....	103	-	2,139
Public Safety - Police.....	-	-	-
Parks, Recreation, Culture and Leisure.....	633	-	17
Transportation.....	308	-	261
Sanitation and Health.....	485	-	-
Neighborhood Services.....	4,004	-	-
Capital Outlay.....	25,652	24	12,290
Debt Service:			
Principal Retirement.....	-	-	-
Interest on Long-Term Debt.....	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>31,185</b>	<b>24</b>	<b>14,707</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>4,072</b>	<b>48</b>	<b>10,040</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Proprietary Funds.....	-	-	-
Transfers from Other Funds.....	125	-	-
Transfers to Other Funds.....	(4,005)	-	-
QECCB Lease Issued.....	-	-	-
Loans Issued.....	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(3,880)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>192</b>	<b>48</b>	<b>10,040</b>
Fund Balances at Beginning of Year.....	3,830	6,421	125,932
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 4,022</b>	<b>\$ 6,469</b>	<b>\$ 135,972</b>

<u>Impact Fees</u>	<u>Special Assesment/ Special Tax Bonds</u>	<u>TransNet</u>	<u>Other Construction</u>	<u>Redevelopment Cooperation Agreement</u>	<u>Total</u>
\$ -	\$ -	\$ 16,204	\$ -	\$ -	\$ 16,204
10,888	-	1,189	-	-	13,465
12	-	-	-	-	12
622	23	(30)	954	2,217	6,147
-	-	-	-	-	14,316
-	-	-	3,140	-	23,284
-	756	-	513	-	23,136
9	-	-	69	-	78
<u>11,531</u>	<u>779</u>	<u>17,363</u>	<u>4,676</u>	<u>2,217</u>	<u>96,642</u>
611	-	23	16	-	2,892
-	-	-	82	-	82
-	-	-	120	-	770
4	5,832	282	91	-	6,778
-	-	-	20	-	505
-	-	-	6	151	4,161
2,979	-	7,186	4,177	-	52,308
-	-	-	285	-	285
-	-	-	150	-	150
<u>3,594</u>	<u>5,832</u>	<u>7,491</u>	<u>4,947</u>	<u>151</u>	<u>67,931</u>
<u>7,937</u>	<u>(5,053)</u>	<u>9,872</u>	<u>(271)</u>	<u>2,066</u>	<u>28,711</u>
-	-	-	64	-	64
-	-	-	2,435	244,889	247,449
-	-	(8,442)	(1,956)	-	(14,403)
-	-	-	12,947	-	12,947
-	-	-	345	-	345
<u>-</u>	<u>-</u>	<u>(8,442)</u>	<u>13,835</u>	<u>244,889</u>	<u>246,402</u>
7,937	(5,053)	1,430	13,564	246,955	275,113
<u>49,943</u>	<u>9,478</u>	<u>5,746</u>	<u>54,240</u>	<u>-</u>	<u>255,590</u>
<u>\$ 57,880</u>	<u>\$ 4,425</u>	<u>\$ 7,176</u>	<u>\$ 67,804</u>	<u>\$ 246,955</u>	<u>\$ 530,703</u>

CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 YEAR ENDED JUNE 30, 2011  
 (In Thousands)

	TransNet				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>REVENUES</b>					
Sales Taxes.....	\$ 16,204	\$ -	\$ 16,204	\$ 22,355	\$ (6,151)
Licenses and Permits.....	1,189	-	1,189	-	1,189
Revenue from Use of Money and Property.....	(30)	77	47	-	47
<b>TOTAL REVENUES.....</b>	<b>17,363</b>	<b>77</b>	<b>17,440</b>	<b>22,355</b>	<b>(4,915)</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	23	-	23	1,073	1,050
Transportation.....	282	6,866	7,148	55,832	48,684
Sanitation and Health.....	-	196	196	740	544
Capital Outlay.....	7,186	-	7,186	-	(7,186)
<b>TOTAL EXPENDITURES.....</b>	<b>7,491</b>	<b>7,062</b>	<b>14,553</b>	<b>57,645</b>	<b>43,092</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>9,872</b>	<b>(6,985)</b>	<b>2,887</b>	<b>(35,290)</b>	<b>38,177</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers to Other Funds.....	(8,442)	-	(8,442)	(11,849)	3,407
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(8,442)</b>	<b>-</b>	<b>(8,442)</b>	<b>(11,849)</b>	<b>3,407</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1,430</b>	<b>(6,985)</b>	<b>(5,555)</b>	<b>(47,139)</b>	<b>41,584</b>
Fund Balances - Beginning.....	5,746	-	5,746	5,746	-
<b>FUND BALANCES - ENDING.....</b>	<b>\$ 7,176</b>	<b>\$ (6,985)</b>	<b>\$ 191</b>	<b>\$ (41,393)</b>	<b>\$ 41,584</b>

NON MAJOR GOVERNMENTAL FUNDS - PERMANENT





## 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).

### CARMEL VALLEY SEWER MAINTENANCE

This fund was established to fund the City's share of maintenance costs for a private sewer system in the Carmel Valley community. The original contribution was received from a developer and interest earnings derived there from will finance a fifty-year maintenance period.

### 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.

### EFFIE SERGEANT

This fund was established to account for a donation to benefit the North Park Branch Library. Investment earnings are used to finance library services and programs.

### FIGG ESTATE ENDOWMENT

This fund was established to account for a donation received for the planting and maintenance of jacaranda trees in the public rights of way throughout the City of San Diego. Investment earnings are used for planting and maintenance as well.

### GLADYS EDNA PETERS

This fund was established to account for a donation to benefit the Rancho Bernardo Branch Library. Investment earnings are used to procure and maintain a collection of large print books and periodicals.

### JANE CAMERON ESTATE

This fund was established to account for a donation to benefit the La Jolla/Riford Branch Library. 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.

### SOUTHCREST PARK ESTATES II

This fund was established to finance the City's landscape maintenance costs for the Southcrest Park Estates II, a residential development within the Southcrest Redevelopment project area. The original contribution was received from a developer, and investment earnings derived there from will finance the permanent maintenance costs.

### SYCAMORE ESTATES

This fund was established to account for an endowment agreement between the City and Sycamore Estates, LLC. Investment earnings from the endowment shall be used exclusively for the long-term maintenance of conserved property within Sycamore Estates.

#### ZOOLOGICAL SOCIETY – MISSION TRAILS

This fund was established to account for the Fortuna Mountain Conservation Bank endowment. Investment earnings derived from the endowment shall be used to fund the permanent management of the Fortuna Mountain Conservation Bank within Mission Trails Regional Park.

#### ENVIRONMENTAL TRUST BANKRUPTCY ENDOWMENT

This fund was established to account for funds received to manage nine properties accepted by the City in The Environmental Trust Bankruptcy. The City's Parks and Recreation Department Open Space Division is responsible for administering the management, maintenance and monitoring of the properties.

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**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT  
COMBINING BALANCE SHEET  
June 30, 2011  
(In Thousands)**

	<u>Carmel Valley Sewer Maintenance</u>	<u>Cemetery Perpetuity</u>	<u>Effie Sergeant</u>	<u>Figg Estate Endowment</u>
<b>ASSETS</b>				
Accounts - Net of Allowance for Uncollectibles.....	\$ -	\$ 2	\$ -	\$ -
Accrued Interest.....	-	12	-	-
Restricted Cash and Investments.....	51	10,825	588	323
<b>TOTAL ASSETS.....</b>	<b>\$ 51</b>	<b>\$ 10,839</b>	<b>\$ 588</b>	<b>\$ 323</b>
<b>LIABILITIES</b>				
Accounts Payable.....	\$ -	\$ -	\$ -	\$ -
<b>FUND EQUITY</b>				
Fund Balances:				
Nonspendable .....	35	9,726	285	313
Restricted .....	16	1,113	303	10
<b>TOTAL FUND EQUITY.....</b>	<b>51</b>	<b>10,839</b>	<b>588</b>	<b>323</b>
<b>TOTAL LIABILITIES AND FUND EQUITY.....</b>	<b>\$ 51</b>	<b>\$ 10,839</b>	<b>\$ 588</b>	<b>\$ 323</b>

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2011  
(In Thousands)**

	<u>Carmel Valley Sewer Maintenance</u>	<u>Cemetery Perpetuity</u>	<u>Effie Sergeant</u>	<u>Figg Estate Endowment</u>
<b>REVENUES</b>				
Revenue from Use of Money and Property.....	\$ 1	\$ 1,552	\$ 98	\$ 5
Revenue from Private Sources.....	-	-	-	-
Charges for Current Services.....	-	74	-	-
<b>TOTAL REVENUES.....</b>	<b>1</b>	<b>1,626</b>	<b>98</b>	<b>5</b>
<b>EXPENDITURES</b>				
Current:				
Parks, Recreation, Culture and Leisure.....	-	63	2	-
<b>EXCESS OF REVENUES OVER EXPENDITURES.....</b>	<b>1</b>	<b>1,563</b>	<b>96</b>	<b>5</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to Other Funds.....	-	(450)	-	(4)
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1</b>	<b>1,113</b>	<b>96</b>	<b>1</b>
Fund Balances at Beginning of Year.....	50	9,726	492	322
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 51</b>	<b>\$ 10,839</b>	<b>\$ 588</b>	<b>\$ 323</b>

<u>Gladys Edna Peters</u>	<u>Jane Cameron Estate</u>	<u>Los Penasquitos Canyon</u>	<u>Southcrest Park Estates II</u>	<u>Sycamore Estates</u>	<u>Zoological Society- Mission Trails</u>	<u>Environmental Trust Bankruptcy Endowment</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2
-	-	-	-	-	-	1	13
<u>383</u>	<u>3,332</u>	<u>2,799</u>	<u>14</u>	<u>250</u>	<u>69</u>	<u>339</u>	<u>18,973</u>
<u>\$ 383</u>	<u>\$ 3,332</u>	<u>\$ 2,799</u>	<u>\$ 14</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 340</u>	<u>\$ 18,988</u>
\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
200	3,200	1,250	10	250	69	332	15,670
182	132	1,549	4	-	-	8	3,317
<u>382</u>	<u>3,332</u>	<u>2,799</u>	<u>14</u>	<u>250</u>	<u>69</u>	<u>340</u>	<u>18,987</u>
<u>\$ 383</u>	<u>\$ 3,332</u>	<u>\$ 2,799</u>	<u>\$ 14</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 340</u>	<u>\$ 18,988</u>

<u>Gladys Edna Peters</u>	<u>Jane Cameron Estate</u>	<u>Los Penasquitos Canyon</u>	<u>Southcrest Park Estates II</u>	<u>Sycamore Estates</u>	<u>Zoological Society- Mission Trails</u>	<u>Environmental Trust Bankruptcy Endowment</u>	<u>Total</u>
\$ 71	\$ 617	\$ 546	\$ -	\$ 3	\$ -	\$ 4	\$ 2,897
-	156	-	-	-	-	-	156
-	-	-	-	-	-	-	74
<u>71</u>	<u>773</u>	<u>546</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>4</u>	<u>3,127</u>
5	199	4	-	-	-	-	273
<u>66</u>	<u>574</u>	<u>542</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>4</u>	<u>2,854</u>
-	-	(126)	-	(3)	-	-	(583)
66	574	416	-	-	-	4	2,271
<u>316</u>	<u>2,758</u>	<u>2,383</u>	<u>14</u>	<u>250</u>	<u>69</u>	<u>336</u>	<u>16,716</u>
<u>\$ 382</u>	<u>\$ 3,332</u>	<u>\$ 2,799</u>	<u>\$ 14</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 340</u>	<u>\$ 18,987</u>

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NON MAJOR BUSINESS-TYPE FUNDS - ENTERPRISE





## 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 and Brown Fields. 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, collection, energy conservation, 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.

**NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE**  
**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2011**  
**( In Thousands )**

	Airports	Development Services
<b>ASSETS</b>		
Cash and Investments .....	\$ 14,110	\$ 18,763
Receivables:		
Accounts - Net of Allowance for Uncollectibles (Development Services \$3,542),....	583	3,909
Accrued Interest .....	22	34
Grants .....	334	-
Inventories .....	-	-
Restricted Cash and Investments .....	-	-
Capital Assets - Non-Depreciable .....	2,755	177
Capital Assets - Depreciable .....	10,632	898
<b>TOTAL ASSETS</b> .....	28,436	23,781
<b>LIABILITIES</b>		
Accounts Payable .....	389	598
Accrued Wages and Benefits .....	68	1,280
Long Term Debt Due Within One Year .....	51	959
Unearned Revenue .....	-	14,164
Contract Deposits .....	-	15
Customer Deposits Payable .....	-	-
Deposits/Advances from Others .....	72	5,441
Compensated Absences .....	61	1,175
Estimated Landfill Closure and Postclosure Care .....	-	-
Net Other Post Employment Benefits Obligation .....	352	6,408
Net Pension Obligation .....	149	5,044
<b>TOTAL LIABILITIES</b> .....	1,142	35,084
<b>NET ASSETS (DEFICIT)</b>		
Invested in Capital Assets, Net of Related Debt .....	13,387	1,075
Restricted for Closure/Postclosure Maintenance .....	-	-
Unrestricted (Deficit) .....	13,907	(12,378)
<b>TOTAL NET ASSETS (DEFICIT)</b> .....	\$ 27,294	\$ (11,303)

<u>Environmental Services</u>	<u>Golf Course</u>	<u>Recycling</u>	<u>Total</u>
\$ 51,498	\$ 22,758	\$ 13,479	\$ 120,608
79	13	199	4,783
157	41	31	285
-	-	217	551
-	1	-	1
45,149	-	6,135	51,284
16,261	3,742	-	22,935
<u>30,811</u>	<u>15,240</u>	<u>226</u>	<u>57,807</u>
<u>143,955</u>	<u>41,795</u>	<u>20,287</u>	<u>258,254</u>
1,363	1,004	564	3,918
627	269	427	2,671
475	139	174	1,798
-	-	468	14,632
-	-	1	16
-	-	6,135	6,135
100	-	-	5,613
582	171	213	2,202
20,845	-	-	20,845
3,367	1,976	2,434	14,537
<u>1,689</u>	<u>361</u>	<u>999</u>	<u>8,242</u>
<u>29,048</u>	<u>3,920</u>	<u>11,415</u>	<u>80,609</u>
47,072	18,982	226	80,742
45,217	-	-	45,217
<u>22,618</u>	<u>18,893</u>	<u>8,646</u>	<u>51,686</u>
<u>\$ 114,907</u>	<u>\$ 37,875</u>	<u>\$ 8,872</u>	<u>\$ 177,645</u>

**NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
Year Ended June 30, 2011  
(In Thousands)

	Airports	Development Services
<b>OPERATING REVENUES</b>		
Charges for Services .....	\$ 5	\$ 43,536
Usage Fees .....	4,253	-
Other .....	491	2,207
<b>TOTAL OPERATING REVENUES</b> .....	<b>4,749</b>	<b>45,743</b>
<b>OPERATING EXPENSES</b>		
Maintenance and Operations .....	2,403	29,030
Administration .....	1,219	14,727
Depreciation .....	652	66
<b>TOTAL OPERATING EXPENSES</b> .....	<b>4,274</b>	<b>43,823</b>
<b>OPERATING INCOME (LOSS)</b> .....	<b>475</b>	<b>1,920</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Earnings on Investments .....	162	124
Federal Grant Assistance .....	9	-
Other Agency Grant Assistance .....	-	-
Gain (Loss) on Sale/Retirement of Capital Assets .....	-	-
Other .....	2	39
<b>TOTAL NONOPERATING REVENUES</b> .....	<b>173</b>	<b>163</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> .....	<b>648</b>	<b>2,083</b>
Capital Contributions .....	336	-
Transfers from Other Funds .....	2	3
Transfers from Governmental Funds.....	-	57
Transfers to Other Funds .....	-	-
Transfers to Governmental Funds .....	(1)	(5,506)
<b>CHANGE IN NET ASSETS</b> .....	<b>985</b>	<b>(3,363)</b>
Net Assets (Deficit) at Beginning of Year .....	26,309	(7,940)
<b>NET ASSETS (DEFICIT) AT END OF YEAR</b> .....	<b>\$ 27,294</b>	<b>\$ (11,303)</b>

<b>Environmental Services</b>	<b>Golf Course</b>	<b>Recycling</b>	<b>Total</b>
\$ 696	\$ 14,634	\$ 6,145	\$ 65,016
26,975	1,080	12,407	44,715
<u>575</u>	<u>1</u>	<u>40</u>	<u>3,314</u>
<u>28,246</u>	<u>15,715</u>	<u>18,592</u>	<u>113,045</u>
25,182	12,329	9,404	78,348
5,941	1,930	8,783	32,600
<u>3,470</u>	<u>1,095</u>	<u>476</u>	<u>5,759</u>
<u>34,593</u>	<u>15,354</u>	<u>18,663</u>	<u>116,707</u>
<u>(6,347)</u>	<u>361</u>	<u>(71)</u>	<u>(3,662)</u>
1,037	277	195	1,795
-	-	-	9
-	-	735	735
(29)	(93)	-	(122)
<u>902</u>	<u>78</u>	<u>1,707</u>	<u>2,728</u>
<u>1,910</u>	<u>262</u>	<u>2,637</u>	<u>5,145</u>
<u>(4,437)</u>	<u>623</u>	<u>2,566</u>	<u>1,483</u>
-	-	-	336
46	8	18	77
250	-	-	307
-	-	(750)	(750)
<u>(85)</u>	<u>-</u>	<u>(60)</u>	<u>(5,652)</u>
<u>(4,226)</u>	<u>631</u>	<u>1,774</u>	<u>(4,199)</u>
<u>119,133</u>	<u>37,244</u>	<u>7,098</u>	<u>181,844</u>
<u>\$ 114,907</u>	<u>\$ 37,875</u>	<u>\$ 8,872</u>	<u>\$ 177,645</u>

**NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE  
COMBINING STATEMENT OF CASH FLOWS  
Year Ended June 30, 2011  
( In Thousands )**

	<u>Airports</u>	<u>Development Services</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users .....	\$ 4,352	\$ 55,265
Receipts from Interfund Services Provided .....	-	3,079
Payments to Suppliers .....	(1,358)	(10,995)
Payments to Employees .....	(1,303)	(25,523)
Payments for Interfund Services Used.....	<u>(715)</u>	<u>(4,686)</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<u>976</u>	<u>17,140</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers In .....	2	3
Transfers from Governmental Funds .....	-	57
Transfers Out .....	-	-
Transfers to Governmental Funds .....	(1)	(5,506)
Operating Grants Received .....	8	-
Proceeds from Advances and Deposits .....	-	-
Payments for Advances and Deposits .....	<u>-</u>	<u>(1,159)</u>
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<u>9</u>	<u>(6,605)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Capital Contributions .....	493	-
Acquisition of Capital Assets .....	<u>(728)</u>	<u>(5)</u>
<b>NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<u>(235)</u>	<u>(5)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Dividends Received on Investments .....	<u>160</u>	<u>119</u>
Net Increase (Decrease) in Cash and Cash Equivalents .....	910	10,649
Cash and Cash Equivalents at Beginning of Year .....	<u>13,200</u>	<u>8,114</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<u>\$ 14,110</u>	<u>\$ 18,763</u>
<b>Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Assets:</b>		
Cash and Investments .....	14,110	18,763
Restricted Cash and Investments .....	<u>-</u>	<u>-</u>
Total Cash and Cash Equivalents at End of Year .....	<u>\$ 14,110</u>	<u>\$ 18,763</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>		
Operating Income (Loss) .....	\$ 475	\$ 1,920
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation .....	652	66
Other Nonoperating Revenue (Expenses) .....	2	39
(Increase) Decrease in Assets:		
Accounts Receivable - Net .....	(399)	(3,895)
Due From Other Funds .....	-	5,385
Inventories .....	-	-
Increase (Decrease) in Liabilities:		
Accounts Payable .....	119	320
Accrued Wages and Benefits .....	13	304
Due to Other Funds .....	-	-
Unearned Revenue .....	-	11,057
Contract Deposits .....	-	15
Compensated Absences .....	(1)	189
Estimated Landfill Closure and Postclosure Care .....	-	-
Net OPEB Obligation .....	114	1,711
Net Pension Obligation .....	<u>1</u>	<u>29</u>
Total Adjustments .....	<u>501</u>	<u>15,220</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<u>\$ 976</u>	<u>\$ 17,140</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>		
Decrease in Capital Assets related Accounts Payable .....	\$ (123)	\$ -
Noncash Retirement of Capital Assets .....	<u>-</u>	<u>-</u>

<u>Environmental Services</u>	<u>Golf Course</u>	<u>Recycling</u>	<u>Total</u>
\$ 28,496	\$ 15,784	\$ 19,299	\$ 123,196
668	2	1,051	4,800
(15,703)	(7,255)	(8,721)	(44,032)
(13,459)	(5,674)	(8,186)	(54,145)
<u>(213)</u>	<u>(371)</u>	<u>(151)</u>	<u>(6,136)</u>
<u>(211)</u>	<u>2,486</u>	<u>3,292</u>	<u>23,683</u>
46	8	18	77
250	-	-	307
-	-	(750)	(750)
(85)	-	(60)	(5,652)
-	-	773	781
100	-	1,381	1,481
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,159)</u>
<u>311</u>	<u>8</u>	<u>1,362</u>	<u>(4,915)</u>
-	-	-	493
<u>(267)</u>	<u>(3,023)</u>	<u>-</u>	<u>(4,023)</u>
<u>(267)</u>	<u>(3,023)</u>	<u>-</u>	<u>(3,530)</u>
<u>1,049</u>	<u>275</u>	<u>187</u>	<u>1,790</u>
882	(254)	4,841	17,028
<u>95,765</u>	<u>23,012</u>	<u>14,773</u>	<u>154,864</u>
<u>\$ 96,647</u>	<u>\$ 22,758</u>	<u>\$ 19,614</u>	<u>\$ 171,892</u>
51,498	22,758	13,479	120,608
<u>45,149</u>	<u>-</u>	<u>6,135</u>	<u>51,284</u>
<u>\$ 96,647</u>	<u>\$ 22,758</u>	<u>\$ 19,614</u>	<u>\$ 171,892</u>
\$ (6,347)	\$ 361	\$ (71)	\$ (3,662)
3,470	1,095	476	5,759
902	78	1,707	2,728
16	1	(3)	(4,280)
-	-	-	5,385
-	2	-	2
(63)	249	309	934
76	45	50	488
(29)	-	-	(29)
-	-	468	11,525
-	(8)	(414)	(407)
(86)	(3)	20	119
719	-	-	719
1,117	660	741	4,343
<u>14</u>	<u>6</u>	<u>9</u>	<u>59</u>
<u>6,136</u>	<u>2,125</u>	<u>3,363</u>	<u>27,345</u>
<u>\$ (211)</u>	<u>\$ 2,486</u>	<u>\$ 3,292</u>	<u>\$ 23,683</u>
\$ (54)	\$ -	\$ -	\$ (177)
(29)	(93)	-	(122)

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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 SERVICES

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.

#### SELF INSURANCE

This fund was established to account for self insurance activities, including worker's compensation and long-term disability programs for employees. Revenues are derived from rates charged to departments as a percentage of payroll. This fund also accounts for the public liability reserve, which was established for the purpose of paying claims in excess of annual appropriations.

#### MISCELLANEOUS INTERNAL SERVICE

This fund accounts for various administrative activities including risk management administration, administration and operation of various employee related programs such as unused compensatory time, unused sick leave and unemployment insurance, and citywide training. Revenues are derived from rates or fees charged to the departments for specific services rendered.

### **BLENDED COMPONENT UNIT**

#### SAN DIEGO DATA PROCESSING CORPORATION

This fund accounts for the operations of the San Diego Data Processing Corporation, Inc. (SDDPC). SDDPC was formed for the purpose of providing data processing services to public agencies, primarily the City of San Diego, which is the sole member of SDDPC. SDDPC also provides telecommunication services to the City. Rates are charged for the various services provided as per operating agreements and are subject to change each year.

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2011  
( In Thousands )**

	<u>City of San Diego</u>	
	<u>Fleet Services</u>	<u>Central Stores</u>
<b>ASSETS</b>		
Cash and Investments .....	\$ 67,050	\$ 689
Receivables:		
Accounts - Net of Allowance for Uncollectibles (Self Insurance \$735) .....	311	-
Accrued Interest .....	-	-
Inventories .....	-	2,764
Prepaid Expenses .....	-	-
Capital Assets - Non-Depreciable .....	9,871	-
Capital Assets - Depreciable .....	<u>99,861</u>	<u>50</u>
<b>TOTAL ASSETS</b> .....	<u>177,093</u>	<u>3,503</u>
<b>LIABILITIES</b>		
Accounts Payable .....	2,332	2,662
Accrued Wages and Benefits .....	1,083	59
Interest Accrued on Long-Term Debt .....	164	-
Long-Term Debt Due Within One Year .....	7,048	28
Unearned Revenue .....	-	-
Contract Deposits .....	-	-
Compensated Absences .....	836	39
Liability Claims .....	-	-
Capital Lease Obligations .....	9,422	-
Net Other Post Employment Benefits Obligation .....	5,286	442
Net Pension Obligation.....	<u>956</u>	<u>161</u>
<b>TOTAL LIABILITIES</b> .....	<u>27,127</u>	<u>3,391</u>
<b>NET ASSETS (DEFICIT)</b>		
Invested in Capital Assets, Net of Related Debt .....	93,864	50
Unrestricted .....	<u>56,102</u>	<u>62</u>
<b>TOTAL NET ASSETS (DEFICIT)</b> .....	<u>\$ 149,966</u>	<u>\$ 112</u>

<u>Publishing Services</u>	<u>Self Insurance</u>	<u>Miscellaneous Internal Service</u>	<u>San Diego Data Processing Corporation</u>	<u>Total</u>
\$ 702	\$ 66,454	\$ 8,641	\$ 3,548	\$ 147,084
-	506	2	9,148	9,967
-	-	12	-	12
-	-	-	-	2,764
-	-	-	1,536	1,536
-	-	-	1,984	11,855
57	-	-	6,941	106,909
<u>759</u>	<u>66,960</u>	<u>8,655</u>	<u>23,157</u>	<u>280,127</u>
637	616	592	7,978	14,817
56	10	425	747	2,380
-	-	-	-	164
36	36,259	2,008	1,040	46,419
-	-	518	-	518
-	-	130	-	130
50	-	2,786	60	3,771
-	169,569	-	-	169,569
-	-	-	-	9,422
388	-	1,622	-	7,738
245	-	650	-	2,012
<u>1,412</u>	<u>206,454</u>	<u>8,731</u>	<u>9,825</u>	<u>256,940</u>
57	-	-	8,925	102,896
<u>(710)</u>	<u>(139,494)</u>	<u>(76)</u>	<u>4,407</u>	<u>(79,709)</u>
<u>\$ (653)</u>	<u>\$ (139,494)</u>	<u>\$ (76)</u>	<u>\$ 13,332</u>	<u>\$ 23,187</u>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**YEAR ENDED JUNE 30, 2011**  
**( In Thousands )**

	City of San Diego	
	Fleet Services	Central Stores
<b>OPERATING REVENUES</b>		
Charges for Services .....	\$ 2,952	\$ 29,634
Usage Fees .....	62,938	-
Other .....	407	793
<b>TOTAL OPERATING REVENUES</b> .....	<u>66,297</u>	<u>30,427</u>
<b>OPERATING EXPENSES</b>		
Benefit and Claim Payments .....	-	-
Maintenance and Operations .....	52,892	3,135
Cost of Materials Issued .....	-	27,545
Administration .....	5,664	-
Depreciation .....	22,177	14
<b>TOTAL OPERATING EXPENSES</b> .....	<u>80,733</u>	<u>30,694</u>
<b>OPERATING INCOME (LOSS)</b> .....	<u>(14,436)</u>	<u>(267)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Earnings on Investments .....	863	(43)
Gain on Sale/Retirement of Capital Assets .....	281	-
Debt Service Interest Expense .....	(844)	-
Other .....	68	34
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b> .....	<u>368</u>	<u>(9)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> .....	(14,068)	(276)
Capital Contributions .....	294	-
Transfers from Other Funds .....	760	-
Transfers from Governmental Funds .....	2,318	44
Transfers to Other Funds .....	(345)	-
Transfers to Governmental Funds .....	(523)	-
<b>CHANGE IN NET ASSETS</b> .....	(11,564)	(232)
Net Assets (Deficit) at Beginning of Year .....	<u>161,530</u>	<u>344</u>
<b>NET ASSETS (DEFICIT) AT END OF YEAR</b> .....	<u>\$ 149,966</u>	<u>\$ 112</u>

<u>Publishing Services</u>	<u>Self Insurance</u>	<u>Miscellaneous Internal Service</u>	<u>San Diego Data Processing Corporation</u>	<u>Total</u>
\$ 4,501	\$ 40,226	\$ 20,199	\$ 41,926	\$ 139,438
-	-	-	-	62,938
-	277	17	-	1,494
<u>4,501</u>	<u>40,503</u>	<u>20,216</u>	<u>41,926</u>	<u>203,870</u>
-	38,438	10,469	-	48,907
3,914	-	-	-	59,941
-	-	1	-	27,546
943	-	12,058	36,307	54,972
74	-	-	3,716	25,981
<u>4,931</u>	<u>38,438</u>	<u>22,528</u>	<u>40,023</u>	<u>217,347</u>
<u>(430)</u>	<u>2,065</u>	<u>(2,312)</u>	<u>1,903</u>	<u>(13,477)</u>
(1)	840	46	2	1,707
(2)	-	-	31	310
-	-	-	-	(844)
653	-	-	3	758
<u>650</u>	<u>840</u>	<u>46</u>	<u>36</u>	<u>1,931</u>
220	2,905	(2,266)	1,939	(11,546)
-	-	-	-	294
-	-	8	-	768
1	-	3,752	-	6,115
-	-	-	-	(345)
<u>(5)</u>	<u>(840)</u>	<u>(10)</u>	<u>-</u>	<u>(1,378)</u>
216	2,065	1,484	1,939	(6,092)
<u>(869)</u>	<u>(141,559)</u>	<u>(1,560)</u>	<u>11,393</u>	<u>29,279</u>
<u>\$ (653)</u>	<u>\$ (139,494)</u>	<u>\$ (76)</u>	<u>\$ 13,332</u>	<u>\$ 23,187</u>

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2011  
( In Thousands )**

	<u>City of San Diego</u>	
	<u>Fleet Services</u>	<u>Central Stores</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users .....	\$ -	\$ -
Receipts from Interfund Services Provided .....	66,475	30,835
Payments to Suppliers .....	(36,497)	(31,344)
Payments to Employees .....	(20,597)	(1,373)
Payments for Interfund Services Used.....	(1,309)	(145)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>8,072</b>	<b>(2,027)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers In .....	760	-
Transfers from Governmental Funds .....	2,318	44
Transfers Out .....	(345)	-
Transfers to Governmental Funds .....	(523)	-
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>2,210</b>	<b>44</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Contracts, Notes, and Loans .....	-	-
Acquisition of Capital Assets .....	(23,065)	-
Proceeds from the Sale of Capital Assets .....	1,776	-
Principal Payments on Capital Leases .....	(6,517)	-
Interest Paid on Long-Term Debt .....	(772)	-
<b>NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(28,578)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Dividends Received on Investments .....	863	(43)
 Net Increase (Decrease) in Cash and Cash Equivalents .....	 (17,433)	 (2,026)
Cash and Cash Equivalents at Beginning of Year .....	84,483	2,715
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b>\$ 67,050</b>	<b>\$ 689</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>		
Operating Income (Loss) .....	\$ (14,436)	\$ (267)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation .....	22,177	14
Other Nonoperating Revenue (Expenses) .....	68	34
(Increase) Decrease in Assets:		
Accounts Receivable - Net .....	110	2
Due from Other Funds.....	-	372
Inventories .....	-	(213)
Prepaid Expenses.....	-	-
Increase (Decrease) in Liabilities:		
Accounts Payable .....	(1,750)	(2,120)
Accrued Wages and Benefits .....	130	7
Due to Other Funds .....	-	-
Unearned Revenue .....	-	-
Contract Deposits .....	-	-
Compensated Absences .....	15	4
Liability Claims .....	-	-
Net OPEB Obligation .....	1,736	139
Net Pension Obligation .....	22	1
<b>Total Adjustments .....</b>	<b>22,508</b>	<b>(1,760)</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>\$ 8,072</b>	<b>\$ (2,027)</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>		
Capital Leases.....	\$ 366	\$ -
Developer Contributed Assets .....	294	-
Noncash Retirement of Capital Assets .....	(1,495)	-



<u>Publishing Services</u>	<u>Self Insurance</u>	<u>Miscellaneous Internal Service</u>	<u>San Diego Data Processing Corporation</u>	<u>Total</u>
\$ -	\$ -	\$ 1,201	\$ 40,067	\$ 41,268
5,162	40,406	19,664	-	162,542
(4,430)	(16,827)	(2,686)	(10,998)	(102,782)
(1,293)	(22,460)	(19,269)	(24,826)	(89,818)
(39)	-	-	-	(1,493)
<u>(600)</u>	<u>1,119</u>	<u>(1,090)</u>	<u>4,243</u>	<u>9,717</u>
-	-	8	-	768
1	-	3,752	-	6,115
-	-	-	-	(345)
(5)	(840)	(10)	-	(1,378)
<u>(4)</u>	<u>(840)</u>	<u>3,750</u>	<u>-</u>	<u>5,160</u>
-	-	-	-	-
-	-	-	(1,956)	(25,021)
-	-	-	31	1,807
-	-	-	-	(6,517)
-	-	-	-	(772)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,925)</u>	<u>(30,503)</u>
(1)	840	41	2	1,702
(605)	1,119	2,701	2,320	(13,924)
<u>1,307</u>	<u>65,335</u>	<u>5,940</u>	<u>1,228</u>	<u>161,008</u>
<u>\$ 702</u>	<u>\$ 66,454</u>	<u>\$ 8,641</u>	<u>\$ 3,548</u>	<u>\$ 147,084</u>
\$ (430)	\$ 2,065	\$ (2,312)	\$ 1,903	\$ (13,477)
74	-	-	3,716	25,981
653	-	-	3	758
8	(97)	1	(1,861)	(1,837)
-	-	-	-	372
-	-	-	-	(213)
-	-	-	4	4
(38)	293	43	723	(2,849)
10	(6)	120	(47)	214
(1,000)	-	-	-	(1,000)
-	-	518	(2)	516
-	-	130	-	130
(9)	-	(94)	(196)	(280)
-	(1,136)	-	-	(1,136)
130	-	7	-	2,012
2	-	497	-	522
<u>(170)</u>	<u>(946)</u>	<u>1,222</u>	<u>2,340</u>	<u>23,194</u>
<u>\$ (600)</u>	<u>\$ 1,119</u>	<u>\$ (1,090)</u>	<u>\$ 4,243</u>	<u>\$ 9,717</u>
\$ -	\$ -	\$ -	\$ -	\$ 366
-	-	-	-	294
(2)	-	-	-	(1,497)

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## 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 AND EMPLOYEE SAVINGS TRUST FUNDS**

##### PRESERVATION OF BENEFITS PLAN

The Preservation of Benefits Plan is a qualified governmental excess benefit plan under Internal Revenue Code (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 Retirement Board of Administration to reflect all amounts the City contributes for payment of pension benefits that exceed IRC section 415(b) limits.

##### POST-EMPLOYMENT 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

The Supplemental Pension Savings Plan Fund is 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

The City's 401(a) Plan Fund is 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

The City's 401(k) Plan Fund is 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.

### BLENDED COMPONENT UNIT

#### **PENSION AND EMPLOYEE SAVINGS TRUST FUNDS**

##### CITY EMPLOYEES' RETIREMENT SYSTEM

The San Diego City Employees' Retirement System (SDCERS) provides retirement, health insurance, 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.

**FIDUCIARY FUNDS  
PENSION AND EMPLOYEE SAVINGS TRUST FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2011  
(In Thousands)**

	<u>City Employees' Retirement System</u>		
	<u>City of San Diego</u>	<u>Unified Port District</u>	<u>Airport Authority</u>
<b>ASSETS</b>			
Cash and Investments .....	\$ 879	\$ 49	\$ 16
Cash with Custodian/Fiscal Agent .....	359,423	19,924	6,376
Investments at Fair Value:			
Domestic Fixed Income Securities (Bonds) .....	1,239,440	68,707	21,987
International Fixed Income Securities (Bonds) .....	235,688	13,065	4,181
Domestic Equity Securities (Stocks) .....	1,559,358	86,441	27,663
International Equity Securities (Stocks) .....	984,965	54,600	17,473
Real Estate Equity and Real Estate Securities .....	484,315	26,847	8,592
Equity Mutual Funds .....	-	-	-
Fixed Income Mutual Funds .....	-	-	-
Private Equity .....	81,072	4,494	1,438
Receivables:			
Contributions .....	42,082	1,247	1,483
Accrued Interest .....	11,463	636	203
Loans .....	-	-	-
Securities Sold .....	26,431	1,465	469
Prepaid Expenses .....	247	14	4
Securities Lending Collateral .....	304,331	16,870	5,399
Capital Assets - Depreciable .....	1,908	106	34
<b>TOTAL ASSETS</b> .....	<u>5,331,602</u>	<u>294,465</u>	<u>95,318</u>
<b>LIABILITIES</b>			
Accounts Payable .....	34,893	322	484
Accrued Wages and Benefits .....	800	44	14
DROP Liability .....	423,668	9,830	1,049
Net Other Post Employment Benefit Obligation .....	1,317	-	-
Net Pension Obligation .....	632	-	-
Securities Lending Obligations .....	304,331	16,870	5,399
Securities Purchased .....	141,570	7,849	2,513
<b>TOTAL LIABILITIES</b> .....	<u>907,211</u>	<u>34,915</u>	<u>9,459</u>
<b>NET ASSETS</b>			
Held in Trust for Pension Benefits and Other Purposes .....	<u>\$ 4,424,391</u>	<u>\$ 259,550</u>	<u>\$ 85,859</u>

Preservation of Benefits Plan	Post-Employment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(a) Plan	401(k) Plan	Total
\$ 318	\$ 50	\$ 580	\$ -	\$ 2	\$ 1,894
3	-	-	-	-	385,726
-	-	-	-	-	1,330,134
-	-	-	-	-	252,934
-	-	-	-	-	1,673,462
-	-	-	-	-	1,057,038
-	-	-	-	-	519,754
-	-	263,771	316	152,525	416,612
-	-	284,217	33	115,267	399,517
-	-	-	-	-	87,004
-	-	-	-	-	44,812
1	1	-	-	-	12,304
-	-	25,036	-	11,849	36,885
-	-	-	-	-	28,365
-	-	-	-	-	265
-	-	-	-	-	326,600
-	-	-	-	-	2,048
<u>322</u>	<u>51</u>	<u>573,604</u>	<u>349</u>	<u>279,643</u>	<u>6,575,354</u>
-	-	-	-	-	35,699
-	-	-	-	-	858
-	-	-	-	-	434,547
-	-	-	-	-	1,317
-	-	-	-	-	632
-	-	-	-	-	326,600
-	-	-	-	-	151,932
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>951,585</u>
<u>\$ 322</u>	<u>\$ 51</u>	<u>\$ 573,604</u>	<u>\$ 349</u>	<u>\$ 279,643</u>	<u>\$ 5,623,769</u>

**FIDUCIARY FUNDS  
PENSION AND EMPLOYEE SAVINGS TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
Year Ended June 30, 2011  
(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 .....	\$ 229,297	\$ 11,501	\$ 4,300
Employee Contributions .....	100,113	6,320	3,843
Retiree Contributions .....	-	-	-
Earnings on Investments:			
Investment Income .....	993,315	55,139	16,134
Investment Expense .....	<u>(24,203)</u>	<u>(1,350)</u>	<u>(462)</u>
Net Investment Income .....	<u>969,112</u>	<u>53,789</u>	<u>15,672</u>
Securities Lending:			
Gross Earnings .....	2,675	149	44
Borrower Rebates .....	<u>(1,188)</u>	<u>(66)</u>	<u>(19)</u>
Net Securities Lending Income .....	<u>1,487</u>	<u>83</u>	<u>25</u>
Other Income:			
Other Income .....	<u>285</u>	<u>16</u>	<u>5</u>
<b>TOTAL OPERATING ADDITIONS .....</b>	<b><u>1,300,294</u></b>	<b><u>71,709</u></b>	<b><u>23,845</u></b>
<b>DEDUCTIONS</b>			
DROP Interest Expense .....	24,366	477	35
Benefit and Claim Payments .....	355,607	14,385	1,587
Administration .....	<u>14,468</u>	<u>788</u>	<u>295</u>
<b>TOTAL OPERATING DEDUCTIONS .....</b>	<b><u>394,441</u></b>	<b><u>15,650</u></b>	<b><u>1,917</u></b>
<b>CHANGE IN NET ASSETS .....</b>	<b>905,853</b>	<b>56,059</b>	<b>21,928</b>
Net Assets at Beginning of Year .....	<u>3,518,538</u>	<u>203,491</u>	<u>63,931</u>
<b>NET ASSETS AT END OF YEAR .....</b>	<b><u>\$ 4,424,391</u></b>	<b><u>\$ 259,550</u></b>	<b><u>\$ 85,859</u></b>



Preservation of Benefits Plan	Post-Employment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(a) Plan	401(k) Plan	Total
\$ 1,395	\$ 33,868	\$ 15,457	\$ 90	\$ -	\$ 295,908
-	-	19,555	107	14,481	144,419
-	7,694	-	-	-	7,694
2	7	65,791	31	35,882	1,166,301
-	-	-	-	-	(26,015)
<u>2</u>	<u>7</u>	<u>65,791</u>	<u>31</u>	<u>35,882</u>	<u>1,140,286</u>
-	-	-	-	-	2,868
-	-	-	-	-	(1,273)
-	-	-	-	-	1,595
-	-	818	-	383	1,507
<u>1,397</u>	<u>41,569</u>	<u>101,621</u>	<u>228</u>	<u>50,746</u>	<u>1,591,409</u>
-	-	-	-	-	24,878
1,323	41,668	44,481	24	13,770	472,845
<u>10</u>	<u>319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,880</u>
<u>1,333</u>	<u>41,987</u>	<u>44,481</u>	<u>24</u>	<u>13,770</u>	<u>513,603</u>
64	(418)	57,140	204	36,976	1,077,806
<u>258</u>	<u>469</u>	<u>516,464</u>	<u>145</u>	<u>242,667</u>	<u>4,545,963</u>
<u>\$ 322</u>	<u>\$ 51</u>	<u>\$ 573,604</u>	<u>\$ 349</u>	<u>\$ 279,643</u>	<u>\$ 5,623,769</u>

**FIDUCIARY FUNDS  
AGENCY FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2011  
(In Thousands)**

	Employee Benefits	Other Miscellaneous Agency	Total
<b>ASSETS</b>			
Cash and Investments .....	\$ 4,332	\$ 8,190	\$ 12,522
Receivables:			
Accounts - Net .....	123	1,586	1,709
Special Assessments .....	-	642	642
Accrued Interest .....	-	14	14
Restricted Cash and Investments .....	-	39,308	39,308
<b>TOTAL ASSETS</b> .....	<b>\$ 4,455</b>	<b>\$ 49,740</b>	<b>\$ 54,195</b>
<b>LIABILITIES</b>			
Accounts Payable .....	\$ -	\$ 725	\$ 725
Deposits/Advances from Others .....	-	129	129
Sundry Agency Liabilities .....	4,455	15,599	20,054
Due to Bondholders .....	-	33,287	33,287
<b>TOTAL LIABILITIES</b> .....	<b>\$ 4,455</b>	<b>\$ 49,740</b>	<b>\$ 54,195</b>

**FIDUCIARY FUNDS  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED JUNE 30, 2011  
(In Thousands)**

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Employee Benefits</b>				
<b>ASSETS</b>				
Cash and Investments .....	\$ 6,399	\$ 67,709	\$ 69,776	\$ 4,332
Receivables:				
Accounts - Net .....	130	1,409	1,416	123
<b>TOTAL ASSETS .....</b>	<b>\$ 6,529</b>	<b>\$ 69,118</b>	<b>\$ 71,192</b>	<b>\$ 4,455</b>
<b>LIABILITIES</b>				
Sundry Agency Liabilities .....	\$ 6,529	\$ 66,294	\$ 68,368	\$ 4,455
<b>Other Miscellaneous Agency</b>				
<b>ASSETS</b>				
Cash and Investments .....	\$ 6,612	\$ 384,436	\$ 382,858	\$ 8,190
Receivables:				
Accounts - Net .....	1,464	11,923	11,801	1,586
Special Assessments .....	1,132	642	1,132	642
Accrued Interest .....	18	14	18	14
Restricted Cash and Investments .....	44,019	27,796	32,507	39,308
<b>TOTAL ASSETS .....</b>	<b>\$ 53,245</b>	<b>\$ 424,811</b>	<b>\$ 428,316</b>	<b>\$ 49,740</b>
<b>LIABILITIES</b>				
Accounts Payable .....	\$ 732	\$ 749	\$ 756	\$ 725
Deposits/Advances from Others .....	676	762	1,309	129
Sundry Agency Liabilities .....	17,530	374,223	376,154	15,599
Due to Bondholders .....	34,307	24,131	25,151	33,287
<b>TOTAL LIABILITIES .....</b>	<b>\$ 53,245</b>	<b>\$ 399,865</b>	<b>\$ 403,370</b>	<b>\$ 49,740</b>
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Investments .....	\$ 13,011	\$ 452,145	\$ 452,634	\$ 12,522
Receivables:				
Accounts - Net .....	1,594	13,332	13,217	1,709
Special Assessments .....	1,132	642	1,132	642
Accrued Interest .....	18	14	18	14
Restricted Cash and Investments .....	44,019	27,796	32,507	39,308
<b>TOTAL ASSETS .....</b>	<b>\$ 59,774</b>	<b>\$ 493,929</b>	<b>\$ 499,508</b>	<b>\$ 54,195</b>
<b>LIABILITIES</b>				
Accounts Payable .....	\$ 732	\$ 749	\$ 756	\$ 725
Deposits/Advances from Others .....	676	762	1,309	129
Sundry Agency Liabilities .....	24,059	440,517	444,522	20,054
Due to Bondholders .....	34,307	24,131	25,151	33,287
<b>TOTAL LIABILITIES .....</b>	<b>\$ 59,774</b>	<b>\$ 466,159</b>	<b>\$ 471,738</b>	<b>\$ 54,195</b>

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STATISTICAL SECTION [UNAUDITED]



## STATISTICAL SECTION

The Statistical Section presents information as required by Government Accounting Standards Board (GASB) Statement No. 44. In addition to utilizing the basic financial statements, notes to the 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 8 contain information to help the reader assess the City's ability to generate its most significant local revenue source, property tax.

#### DEBT CAPACITY

Tables 9 through 14 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 15 through 16 offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to provide comparisons over time with other governments.

#### OPERATING INFORMATION

Tables 17 through 19 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>, and the City's Investor Webpage, <http://www.sandiego.gov/investorinformation>.

**City of San Diego**  
**Net Assets by Category (Unaudited)**  
**Last Ten Fiscal Years (In Thousands)**  
*(Accrual Basis of Accounting)*

	Fiscal Year			
	2002 (restated)	2003	2004	2005
<b><u>Governmental Activities</u></b>				
Invested in Capital Assets, Net of Related Debt	\$ 3,013,292	\$ 3,106,168	\$ 3,200,262	\$ 3,600,989
Restricted for:				
Capital Projects	231,964	250,452	274,664	90,390
Debt Service	70,029	154,926	74,268	37,522
Low-Moderate Income Housing	-	-	-	-
Permanent	15,860	11,857	13,104	13,908
Other	137,071	78,743	129,686	104,488
Unrestricted	5,450	(53,988)	(146,793)	(215,719)
Total Governmental Activities Net Assets	<u>3,473,666</u>	<u>3,548,158</u>	<u>3,545,191</u>	<u>3,631,578</u>
<b><u>Business-type Activities</u></b>				
Invested in Capital Assets, Net of Related Debt	2,348,754	2,624,846	2,818,690	2,863,136
Restricted for:				
Debt Service	70,011	72,567	3,674	3,517
Other	24,385	25,275	26,735	29,412
Unrestricted	616,624	373,143	317,358	271,943
Total Business-type Activities Net Assets	<u>3,059,774</u>	<u>3,095,831</u>	<u>3,166,457</u>	<u>3,168,008</u>
<b><u>Primary Government</u></b>				
Invested in Capital Assets, Net of Related Debt	5,362,046	5,731,014	6,018,952	6,464,125
Restricted for:				
Capital Projects	231,964	250,452	274,664	90,390
Debt Service	140,040	227,493	77,942	41,039
Low-Moderate Income Housing	-	-	-	-
Permanent	15,860	11,857	13,104	13,908
Other	161,456	104,018	156,421	133,900
Unrestricted	622,074	319,155	170,565	56,224
Total Primary Government Net Assets	<u>\$ 6,533,440</u>	<u>\$ 6,643,989</u>	<u>\$ 6,711,648</u>	<u>\$ 6,799,586</u>



Table 1

Fiscal Year						
2006	2007	2008	2009	2010	2011	
\$ 3,472,531	\$ 3,461,127	\$ 3,518,704	\$ 3,530,937	\$ 3,780,474	\$ 3,812,560	
273,575	300,288	314,931	293,284	260,754	654,126	
-	-	-	-	-	-	
64,493	81,739	108,026	135,581	162,514	84,260	
14,568	16,509	16,757	13,280	17,514	15,670	
96,537	100,159	124,328	122,460	131,600	195,171	
(140,126)	(19,999)	70,635	162,661	2,189	(392,384)	
<u>3,781,578</u>	<u>3,939,823</u>	<u>4,153,381</u>	<u>4,258,203</u>	<u>4,355,045</u>	<u>4,369,403</u>	
2,867,469	2,998,848	2,933,012	2,970,351	3,035,924	3,094,788	
2,970	2,977	2,660	4,372	8,443	11,129	
32,115	34,732	36,776	38,113	43,747	45,217	
<u>308,575</u>	<u>343,280</u>	<u>517,261</u>	<u>587,443</u>	<u>643,275</u>	<u>685,666</u>	
<u>3,211,129</u>	<u>3,379,837</u>	<u>3,489,709</u>	<u>3,600,279</u>	<u>3,731,389</u>	<u>3,836,800</u>	
6,340,000	6,459,975	6,451,716	6,501,288	6,816,398	6,907,348	
273,575	300,288	314,931	293,284	260,754	654,126	
2,970	2,977	2,660	4,372	8,443	11,129	
64,493	81,739	108,026	135,581	162,514	84,260	
14,568	16,509	16,757	13,280	17,514	15,670	
128,652	134,891	161,104	160,573	175,347	240,388	
<u>168,449</u>	<u>323,281</u>	<u>587,896</u>	<u>750,104</u>	<u>645,464</u>	<u>293,282</u>	
<u>\$ 6,992,707</u>	<u>\$ 7,319,660</u>	<u>\$ 7,643,090</u>	<u>\$ 7,858,482</u>	<u>\$ 8,086,434</u>	<u>\$ 8,206,203</u>	

City of San Diego  
**Changes in Net Assets (Unaudited)**  
**Last Ten Fiscal Years (In Thousands)**  
*(Accrual Basis of Accounting)*

Table 2

	Fiscal Year									
	2002 <i>(restated)</i>	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>										
<b>Governmental Activities</b>										
General Government and Support	\$ 181,722	\$ 204,072	\$ 221,752	\$ 247,038	\$ 252,295	\$ 270,190	\$ 322,157	\$ 303,581	\$ 395,344	\$ 361,098
Public Safety - Police	298,176	334,461	361,501	372,230	370,990	376,581	382,907	418,549	402,222	427,724
Public Safety - Fire and Life Safety and Homeland Security	139,699	147,897	173,311	186,203	194,074	209,902	204,822	220,787	214,975	223,174
Parks, Recreation, Culture and Leisure	181,762	202,567	204,736	218,601	237,375	229,500	231,955	258,038	266,343	248,668
Transportation	153,002	154,603	197,152	220,095	200,883	272,780	212,255	239,305	190,054	191,402
Sanitation and Health	57,227	37,615	44,925	45,088	48,774	43,780	51,772	77,447	78,171	74,639
Neighborhood Services	116,397	95,267	100,568	89,162	111,886	99,870	91,110	116,735	137,971	85,588
Debt Service:										
Interest	59,952	68,410	71,588	73,381	71,109	84,920	82,211	84,070	72,672	77,443
<b>Total Governmental Activities Expenses</b>	<b>1,187,937</b>	<b>1,244,892</b>	<b>1,375,533</b>	<b>1,451,798</b>	<b>1,487,386</b>	<b>1,587,523</b>	<b>1,579,189</b>	<b>1,718,512</b>	<b>1,757,752</b>	<b>1,689,736</b>
<b>Business-type Activities</b>										
Airports	3,085	4,281	7,384	3,196	4,100	3,755	4,109	5,140	5,671	315,591
City Store	731	731	858	808	810	843	788	321	-	-
Development Services	46,920	47,278	52,970	60,240	57,893	53,924	51,461	47,260	36,640	362,830
Environmental Services	35,684	40,306	40,602	43,711	44,493	40,138	37,279	35,718	33,955	4,297
Golf Course	6,433	6,963	7,572	8,585	9,563	10,690	11,142	11,864	14,618	43,552
Recycling	16,161	19,141	19,497	21,426	21,853	19,754	20,511	20,067	19,265	34,904
Sewer Utility	277,833	352,075	312,929	348,327	319,274	313,716	322,552	314,125	338,688	15,503
Water Utility	255,160	267,855	270,940	300,665	302,996	313,256	321,123	329,748	365,683	19,611
<b>Total Business-type Activities Expenses</b>	<b>642,007</b>	<b>738,630</b>	<b>712,752</b>	<b>786,958</b>	<b>760,982</b>	<b>756,076</b>	<b>768,965</b>	<b>764,243</b>	<b>814,520</b>	<b>796,288</b>
<b>Total Primary Government Expenses</b>	<b>1,829,944</b>	<b>1,983,522</b>	<b>2,088,285</b>	<b>2,238,756</b>	<b>2,248,368</b>	<b>2,343,599</b>	<b>2,348,154</b>	<b>2,482,755</b>	<b>2,572,272</b>	<b>2,486,024</b>
<b>Program Revenues</b>										
<b>Governmental Activities</b>										
Charges for Services:										
General Government and Support	72,067	80,782	81,167	100,887	96,345	107,257	111,714	152,630	179,461	185,696
Public Safety - Police	18,812	21,498	23,699	23,496	24,256	27,960	40,628	42,178	39,636	44,879
Public Safety - Fire and Life Safety and Homeland Security	16,492	21,014	19,940	21,381	18,572	16,548	19,156	20,449	19,916	30,655
Parks, Recreation, Culture and Leisure	20,136	9,187	12,466	35,314	51,196	52,656	64,030	80,795	61,495	65,033
Transportation	35,673	44,020	47,709	30,625	52,375	49,809	21,877	18,360	31,485	27,304
Sanitation and Health	7,571	9,009	9,087	8,651	10,697	10,224	9,832	9,306	11,788	11,784
Neighborhood Services	21,801	17,748	20,033	48,623	25,440	39,412	22,748	21,814	25,959	27,013
Operating Grants and Contributions	99,541	95,882	95,202	109,268	101,723	84,745	75,126	93,244	71,829	81,159
Capital Grants and Contributions	136,461	115,748	91,981	134,702	100,564	81,169	78,347	110,802	60,139	51,674
<b>Total Governmental Activities Program Revenues</b>	<b>428,554</b>	<b>414,888</b>	<b>401,284</b>	<b>512,947</b>	<b>481,168</b>	<b>469,780</b>	<b>443,458</b>	<b>549,578</b>	<b>501,708</b>	<b>525,197</b>
<b>Business-type Activities</b>										
Charges for Services:										
Airports	3,346	3,461	3,827	4,151	4,385	5,635	5,140	4,929	4,849	357,731
City Store	694	771	852	807	837	827	744	242	-	-
Development Services	46,860	46,656	58,412	61,299	55,011	48,746	45,945	37,310	37,338	371,515
Environmental Services	33,315	36,889	38,377	41,944	39,850	36,143	35,485	31,726	26,342	4,749
Golf Course	10,143	10,311	11,911	12,625	13,119	15,772	15,153	16,201	15,671	45,743
Recycling	15,870	17,640	16,169	19,883	21,345	20,476	23,390	16,027	16,946	28,246
Sewer Utility	233,980	256,947	267,294	288,972	290,568	304,749	328,119	322,571	382,125	15,715
Water Utility	213,577	222,462	239,533	267,649	280,567	310,292	318,626	342,719	376,461	18,592
Operating Grants and Contributions	5,981	3,616	1,483	2,028	1,909	1,203	2,312	1,739	3,289	8,355
Capital Grants and Contributions	170,943	143,444	133,586	63,830	77,602	141,419	58,400	60,863	45,738	30,692
<b>Total Business-type Activities Program Revenues</b>	<b>734,709</b>	<b>742,197</b>	<b>771,444</b>	<b>763,188</b>	<b>785,193</b>	<b>885,262</b>	<b>833,314</b>	<b>834,327</b>	<b>908,759</b>	<b>881,338</b>
<b>Total Primary Government Program Revenues</b>	<b>1,163,263</b>	<b>1,157,085</b>	<b>1,172,728</b>	<b>1,276,135</b>	<b>1,266,361</b>	<b>1,355,042</b>	<b>1,276,772</b>	<b>1,383,905</b>	<b>1,410,467</b>	<b>1,406,535</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	(759,383)	(830,004)	(974,249)	(938,851)	(1,006,218)	(1,117,743)	(1,135,731)	(1,168,934)	(1,256,044)	(1,164,539)
Business-type Activities	92,702	3,567	58,692	(23,770)	24,211	129,186	64,349	70,084	94,239	85,050
<b>Total Primary Government Net Expense</b>	<b>(666,681)</b>	<b>(826,437)</b>	<b>(915,557)</b>	<b>(962,621)</b>	<b>(982,007)</b>	<b>(988,557)</b>	<b>(1,071,382)</b>	<b>(1,098,850)</b>	<b>(1,161,805)</b>	<b>(1,079,489)</b>

City of San Diego  
**Changes in Net Assets (Unaudited)**  
**Last Ten Fiscal Years (In Thousands)**  
*(Accrual Basis of Accounting)*

Table 2

	Fiscal Year									
	2002 <small>(restated)</small>	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental Activities										
Property Taxes	\$ 222,778	\$ 248,659	\$ 278,804	\$ 329,659	\$ 459,777	\$ 526,722	\$ 576,605	\$ 607,857	\$ 579,410	\$ 560,577
Transient Occupancy Taxes	50,495	105,263	113,209	120,792	136,803	154,810	159,348	140,657	123,332	140,752
Sales Taxes	233,864	223,594	238,616	197,198	227,017	263,399	269,757	229,651	244,406	246,452
Other Local Taxes	151,403	98,783	139,748	152,577	148,001	157,941	151,267	161,485	183,694	158,797
Developer Contributions and Fees	36,879	39,577	33,363	47,063	53,502	62,693	38,331	16,148	21,022	14,131
Grants and Contributions not Restricted to Specific Programs	93,824	91,556	101,086	141,934	64,039	5,339	6,251	8,488	18,065	10,320
Investment Income	90,073	84,448	57,537	29,473	40,108	76,292	96,725	75,245	30,472	25,488
Gain on Sale of Capital Assets	480	92	467	684	1,214	6,546	17,884	1,922	1,854	133
Special and Extraordinary Items	280	870	250	-	-	-	-	-	-	-
Miscellaneous	6,983	6,243	4,396	5,232	21,227	25,671	29,570	33,528	20,458	16,207
Transfers	47,953	5,411	3,806	626	4,530	(3,425)	3,551	(1,225)	(1,218)	6,040
<b>Total Governmental Activities General Revenues, Contributions, and Transfers</b>	<b>935,012</b>	<b>904,496</b>	<b>971,282</b>	<b>1,025,238</b>	<b>1,156,218</b>	<b>1,275,988</b>	<b>1,349,289</b>	<b>1,273,756</b>	<b>1,221,495</b>	<b>1,178,897</b>
Business-type Activities										
Investment Income	34,918	31,760	10,289	17,132	16,938	30,713	41,224	31,004	22,332	13,717
Gain/(Loss) on Sale of Capital Assets	-	(1,761)	8	-	-	-	-	-	-	-
Miscellaneous	(1,036)	7,902	5,443	8,815	6,502	5,384	7,850	8,257	13,321	12,684
Transfers	(47,953)	(5,411)	(3,806)	(626)	(4,530)	3,425	(3,551)	1,225	1,218	(6,040)
<b>Total Business-type Activities General Revenues and Transfers</b>	<b>(14,071)</b>	<b>32,490</b>	<b>11,934</b>	<b>25,321</b>	<b>18,910</b>	<b>39,522</b>	<b>45,523</b>	<b>40,486</b>	<b>36,871</b>	<b>20,361</b>
<b>Total Primary Government General Revenues, Permanent Fund Contributions, and Transfers</b>	<b>920,941</b>	<b>936,986</b>	<b>983,216</b>	<b>1,050,559</b>	<b>1,175,128</b>	<b>1,315,510</b>	<b>1,394,812</b>	<b>1,314,242</b>	<b>1,258,366</b>	<b>1,199,258</b>
<b>Change in Net Assets</b>										
Governmental Activities	175,629	74,492	(2,967)	86,387	150,001	158,245	213,558	104,822	(34,549)	14,358
Business-type Activities	78,631	36,057	70,626	1,551	43,121	168,708	109,872	110,570	131,110	105,411
<b>Total Primary Government Change in Net Assets</b>	<b>\$ 254,260</b>	<b>\$ 110,549</b>	<b>\$ 67,659</b>	<b>\$ 87,938</b>	<b>\$ 193,122</b>	<b>\$ 326,953</b>	<b>\$ 323,430</b>	<b>\$ 215,392</b>	<b>\$ 96,562</b>	<b>\$ 119,769</b>

**City of San Diego**  
**Fund Balances of Governmental Funds (Unaudited)**  
**Last Ten Fiscal Years (In Thousands)**  
*(Modified Accrual Basis of Accounting)*

	<b>Pre-GASB 54</b>			
	<b>Fiscal Year</b>			
	<b>2002 <sup>1</sup></b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
General Fund:				
Reserved	\$ 26,298	\$ 21,482	\$ 18,550	\$ 17,501
Unreserved	43,705	45,570	42,672	43,547
Total General Fund	<u>\$ 70,003</u>	<u>\$ 67,052</u>	<u>\$ 61,222</u>	<u>\$ 61,048</u>
All Other Governmental Funds:				
Reserved	\$ 574,974	\$ 386,652	\$ 277,968	\$ 372,806
Unreserved, reported in:				
Special Revenue Funds	202,651	185,219	305,909	284,818
Debt Service Funds	3,740	864	1,650	13
Capital Projects Funds	283,250	275,591	287,259	279,866
Permanent Funds	-	461	879	1,063
Total All Other Governmental Funds	<u>\$ 1,064,615</u>	<u>\$ 848,787</u>	<u>\$ 873,665</u>	<u>\$ 938,566</u>

	<b>Post-GASB 54</b>
	<b>Fiscal Year</b>
	<b>2011 <sup>2</sup></b>
General Fund:	
Nonspendable:	
Nonspendable	\$ -
Spendable:	
Restricted	145,880
Committed	1,183
Assigned	38,153
Unassigned	60,532
Total General Fund	<u>\$ 245,748</u>
All Other Governmental Funds:	
Nonspendable:	
Nonspendable	\$ 21,093
Spendable:	
Restricted	1,378,184
Committed	92,783
Assigned	-
Unassigned	(29,569)
Total All Other Governmental Funds	<u>\$ 1,462,491</u>

**Footnotes:**

<sup>1</sup> Amounts have been subsequently restated in future periods.

<sup>2</sup> Fiscal year 2011 data is reported in accordance with GASB Statement No. 54.

Table 3

Pre-GASB 54 Fiscal Year				
2006	2007	2008	2009	2010
\$ 21,288	\$ 35,858	\$ 45,843	\$ 33,895	\$ 7,996
40,353	96,190	78,938	80,497	107,027
<u>\$ 61,641</u>	<u>\$ 132,048</u>	<u>\$ 124,781</u>	<u>\$ 114,392</u>	<u>\$ 115,023</u>
\$ 401,019	\$ 504,693	\$ 652,222	\$ 706,971	\$ 776,324
267,576	350,096	233,388	221,089	219,394
217	29	221,814	265,236	159,737
406,130	377,648	358,550	430,479	368,860
656	1,249	549	2,625	2
<u>\$ 1,075,598</u>	<u>\$ 1,233,715</u>	<u>\$ 1,466,523</u>	<u>\$ 1,626,400</u>	<u>\$ 1,524,317</u>

**City of San Diego**  
**Changes in Fund Balances of Governmental Funds (Unaudited)**  
**Last Ten Fiscal Years (In Thousands)**  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year			
	2002	2003	2004	2005
<b>Revenues:</b>				
Property Taxes	\$ 223,100	\$ 248,276	\$ 279,090	\$ 325,857
Special Assessments	22,491	25,748	26,816	30,263
Sales Taxes	221,383	223,023	238,430	197,198
In-Lieu Sales Taxes <sup>(1)</sup>	-	-	-	48,220
Transient Occupancy Taxes <sup>(2)</sup>	-	-	113,209	121,612
Other Local Taxes	202,364	203,493	140,016	152,576
Licenses and Permits	25,194	29,268	30,592	40,724
Fines, Forfeitures and Penalties	25,854	26,679	33,870	33,906
Revenue from Use of Money and Property	97,213	86,789	63,268	77,514
Revenue from Federal Agencies	42,635	56,851	50,493	66,283
Revenue from Other Agencies	171,681	136,359	154,559	143,639
Revenue from Private Sources	140,841	82,410	62,143	91,354
Charges for Current Services	110,418	123,461	129,350	138,794
Other Revenue	10,074	10,594	10,462	11,518
Total Revenues	<u>1,293,248</u>	<u>1,252,951</u>	<u>1,332,298</u>	<u>1,479,458</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government and Support	189,128	193,980	198,826	236,706
Public Safety - Police <sup>(3)</sup>	288,809	301,839	313,387	347,359
Public Safety - Fire and Life Safety and Homeland Security	131,974	141,967	152,073	178,553
Parks, Recreation, Culture and Leisure	174,485	177,584	170,163	180,327
Public Transportation <sup>(4)</sup>	91,746	89,653	117,619	140,604
Sanitation and Health <sup>(4)</sup>	36,851	38,031	42,184	44,327
Neighborhood Services <sup>(4)</sup>	72,087	98,050	104,205	102,235
Capital Outlay	208,083	229,496	174,346	175,493
<b>Debt Service:</b>				
Principal Retirement	39,831	49,858	49,118	77,952
Cost of Issuance	-	-	-	-
Interest	49,140	65,216	68,800	68,201
Arbitrage Rebate	-	-	421	-
Refunding Escrow	-	-	-	-
Total Expenditures	<u>1,282,134</u>	<u>1,385,674</u>	<u>1,391,142</u>	<u>1,551,757</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>11,114</u>	<u>(132,723)</u>	<u>(58,844)</u>	<u>(72,299)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	6,338	11,660	7,373	10,634
Transfers Out	(16,749)	(8,676)	(16,474)	(2,366)
Transfer to Escrow Agent	-	(53,974)	(10,132)	(32,011)
Contracts, Notes, and Loans Issued	-	3,891	27,507	5,435
Bonds Issued	253,181	89,340	66,168	152,056
Other Income	2,622	8,237	3,450	3,278
Restatements	(104,144)	(136,534)	-	-
Total Other Financing Sources (Uses)	<u>141,248</u>	<u>(86,056)</u>	<u>77,892</u>	<u>137,026</u>
Net Change in Fund Balances	<u>\$ 152,362</u>	<u>\$ (218,779)</u>	<u>\$ 19,048</u>	<u>\$ 64,727</u>
Debt Service as a Percentage of Noncapital Expenditures	8.3%	10.0%	9.7%	10.6%

**Footnotes:**

- (1) The City began reporting In-Lieu Sales Taxes separate from Sales Taxes beginning with the fiscal year ended June 30, 2005.  
(2) The City began reporting Transient Occupancy Taxes separate from Other Local Taxes beginning with the fiscal year ended June 30, 2004.  
(3) Amounts reported as Public Safety - Police prior to the fiscal year ended June 30, 2002 includes Public Safety - Fire & Life Safety.  
(4) Multiple classification adjustments were imposed as a result of the implementation of GASB Statement No. 34.

Table 4

		Fiscal Year									
		2006	2007	2008	2009	2010	2011				
\$	457,908	\$	521,734	\$	573,311	\$	603,574	\$	584,342	\$	569,009
	36,699		36,585		50,274		63,500		45,606		42,823
	227,017		264,587		270,791		233,140		192,665		232,077
	45,433		-		-		-		-		-
	136,801		153,574		159,348		140,657		123,879		139,545
	148,001		158,046		146,899		171,192		183,696		158,797
	42,117		41,425		50,693		39,349		33,088		42,668
	35,441		42,932		32,785		34,406		31,836		33,356
	89,438		117,552		129,582		107,784		91,227		86,720
	43,570		79,735		40,413		70,386		54,056		86,113
	58,289		61,977		53,370		52,456		56,136		54,628
	91,287		59,549		23,013		21,593		21,689		29,126
	127,121		159,877		165,910		203,432		191,769		204,782
	25,923		31,027		30,824		25,711		23,187		32,807
	<u>1,565,045</u>		<u>1,728,600</u>		<u>1,727,213</u>		<u>1,767,180</u>		<u>1,633,176</u>		<u>1,712,451</u>
	290,550		267,461		310,814		344,930		391,680		339,782
	408,474		376,762		388,729		406,657		399,914		402,328
	212,069		202,031		205,660		225,696		210,730		210,539
	216,038		182,197		195,808		211,759		228,357		205,219
	147,977		139,349		135,404		162,969		117,545		115,168
	49,094		44,729		53,957		78,260		78,351		70,274
	112,080		85,544		88,242		73,785		75,772		88,826
	126,583		106,518		132,432		138,634		134,426		142,136
	53,293		68,160		59,228		57,209		65,928		114,774
	-		5,145		3,618		1,001		1,881		1,552
	68,732		82,928		78,133		78,659		74,825		73,093
	-		-		-		-		-		-
	-		-		-		-		4,172		-
	<u>1,684,890</u>		<u>1,560,824</u>		<u>1,652,025</u>		<u>1,779,559</u>		<u>1,783,581</u>		<u>1,763,691</u>
	<u>(119,845)</u>		<u>167,776</u>		<u>75,188</u>		<u>(12,379)</u>		<u>(150,405)</u>		<u>(51,240)</u>
	6,975		9,509		10,373		8,246		7,706		7,444
	(1,784)		(3,546)		(9,756)		(6,590)		(13,444)		(6,564)
	-		(159,690)		(10,676)		-		(161,194)		-
	13,873		13,003		16,063		12,583		48,710		478
	217,797		182,328		108,121		115,236		183,396		104,857
	20,609		19,144		36,228		32,392		15,341		13,924
	-		-		-		-		-		-
	<u>257,470</u>		<u>60,748</u>		<u>150,353</u>		<u>161,867</u>		<u>80,515</u>		<u>120,139</u>
\$	<u>137,625</u>	\$	<u>228,524</u>	\$	<u>225,541</u>	\$	<u>149,488</u>	\$	<u>(69,890)</u>	\$	<u>68,899</u>
	7.8%		10.7%		9.3%		8.3%		8.9%		11.7%

**City of San Diego**  
**Assessed Value and Estimated Value of Taxable Property (Unaudited)**  
**Last Ten Fiscal Years (In Thousands)**

Fiscal Year Ended June 30	City			
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value
2002	\$ 89,480,010	\$ 6,747,650	\$ (4,712,944)	\$ 91,514,716
2003	96,751,483	6,838,410	(4,336,637)	99,253,256
2004	105,730,848	7,167,011	(5,171,957)	107,725,902
2005	115,305,637	6,724,787	(4,872,423)	117,158,001
2006	128,935,155	7,067,580	(5,684,279)	130,318,456
2007	142,036,802	7,629,006	(5,867,546)	143,798,262
2008	154,653,913	7,410,589	(6,329,714)	155,734,788
2009	162,580,727	7,880,341	(6,795,274)	163,665,794
2010	161,637,831	8,164,394	(7,157,357)	162,644,868
2011	158,803,280	7,873,095	(7,411,231)	159,265,144

Source: San Diego County Assessor Data, MuniServices, LLC



Table 5

Redevelopment Agency				
Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
\$ 3,375,962	\$ 468,609	\$ (387,226)	\$ 3,457,345	0.235%
4,241,487	514,366	(430,325)	4,325,528	0.240%
5,590,446	579,229	(477,318)	5,692,357	0.246%
7,516,745	560,474	(562,460)	7,514,759	0.261%
10,237,395	628,841	(685,305)	10,180,931	0.326%
13,029,366	892,425	(924,626)	12,997,165	0.333%
15,955,610	889,754	(1,064,583)	15,780,781	0.334%
17,769,284	918,239	(1,139,942)	17,547,581	0.333%
17,353,633	912,524	(1,289,122)	16,977,035	0.325%
17,676,415	953,539	(1,465,748)	17,164,206	0.323%

**City of San Diego**  
**Direct and Overlapping Property Tax Rates (Unaudited)**  
**(\$1 Per \$100 of Assessed Value)**  
**Last Ten Fiscal Years**

Table 6

Fiscal Year Ended June 30	Direct Rate	Overlapping		Total
	Basic County/ City Rate	City of San Diego	Education	
2002	1.00000%	0.00730%	0.09580%	1.10310%
2003	1.00000%	0.00710%	0.09580%	1.10290%
2004	1.00000%	0.00680%	0.00000%	1.00680%
2005	1.00000%	0.00670%	0.00000%	1.00670%
2006	1.00000%	0.01165%	0.10085%	1.11250%
2007	1.00000%	0.01094%	0.08931%	1.10025%
2008	1.00000%	0.01069%	0.08747%	1.09816%
2009	1.00000%	0.01038%	0.07396%	1.08434%
2010	1.00000%	0.01043%	0.09152%	1.10195%
2011	1.00000%	0.00986%	0.09164%	1.10150%

Sources: MuniServices, LLC and County of San Diego

**City of San Diego  
Principal Property Tax Payers (Unaudited)  
Current Year and Nine Years Ago (In Thousands)**

Table 7

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percent of Total City Taxable Assessed Value</u>
<b><u>For the Fiscal Year Ended June 30, 2011</u></b>		
Irvine Co.	\$ 1,617,533	0.92%
Kilroy Realty, LP	1,388,039	0.79%
Qualcomm, Inc.	1,246,601	0.71%
Arden Realty Ltd. Partnership	757,906	0.43%
San Diego Family Housing, LLC	684,612	0.39%
Pfizer, Inc.	475,277	0.27%
Fashion Valley Mall, LLC	453,886	0.26%
One Park Boulevard, LLC	433,790	0.25%
O C S D Holdings, LLC	411,561	0.23%
Manchester Resorts LP	362,554	0.21%
<b><u>For the Fiscal Year Ended June 30, 2002</u></b>		
Kilroy Realty, LP	\$ 566,110	0.57%
Fashion Valley Mall, LLC	530,665	0.54%
Qualcomm, Inc.	465,566	0.47%
Sea World, Inc.	280,063	0.28%
Pacific Gateway, Ltd	250,319	0.25%
ERP Operating, Ltd	239,426	0.24%
University Towne Center, LLC	226,350	0.23%
Irvine Co.	248,194	0.25%
Horton Plaza, LLC	192,079	0.19%
Pardee Construction Co.	39,844	0.04%

Sources: MuniServices, LLC and Comprehensive Annual Financial Reports

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**City of San Diego**  
**Property Tax Levies and Collections <sup>1</sup> (Unaudited)**  
**Last Ten Fiscal Years (In Thousands)**

**Table 8**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2002	\$ 167,077	\$ 160,992	96.36%	\$ 4,451	\$ 165,443	99.02%
2003	181,687	175,943	96.84%	4,093	180,036	99.09%
2004	199,630	191,224	95.79%	6,484	197,708	99.04%
2005	227,422	213,173	93.73%	7,953	221,126	97.23%
2006	255,211	240,895	94.39%	8,152	249,047	97.58%
2007	272,983	257,034	94.16%	9,138	266,172	97.50%
2008	289,235	271,657	93.92%	10,185	281,842	97.44%
2009	299,935	284,212	94.76%	14,988	299,200	99.75%
2010	297,208	284,600	95.76%	13,938	298,538	100.45%
2011	293,617	283,978	96.72%	13,071	297,049	101.17%

Footnote:

<sup>1</sup> Property Tax Levies and Collections for the General Fund and Zoological Exhibits Fund

Source: County of San Diego

City of San Diego  
 Ratios of Outstanding Debt by Type (Unaudited)  
 Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Governmental Activities					
	Arbitrage Liability	Capital Lease Obligations	Contracts Payable	Notes Payable	Loans	General Obligation Bonds
2002	\$ -	\$ 38,345	\$ 3,597	\$ 15,521	\$ 28,255	\$ 58,095
2003	363	37,701	1,882	8,416	46,117	52,165
2004	262	30,619	1,715	5,998	69,084	45,775
2005	-	30,647	1,715	7,924	62,024	14,530
2006	-	40,541	2,615	7,294	64,199	12,690
2007	-	39,130	2,615	8,555	60,493	10,705
2008	-	61,262	2,615	5,662	70,763	8,580
2009	533	89,519	4,715	4,786	78,347	6,315
2010	3	84,561	1,018	3,301	110,891	4,340
2011	3	68,018	24,419	-	52,963	2,240

Fiscal Year Ended June 30	Business-Type Activities					
	Arbitrage Liability	Capital Lease Obligations	Notes Payable	Loans Payable	Revenue Bonds Payable	Total Business-Type Activities
2002*	\$ -	\$ 7,612	\$ 63,786	\$ -	\$ 1,433,465	\$ 1,504,863
2003	1,812	6,465	-	69,093	1,612,200	1,689,570
2004	221	5,008	-	67,054	1,731,825	1,804,108
2005	213	3,521	-	63,803	1,698,060	1,765,597
2006	193	2,051	-	91,247	1,662,705	1,756,196
2007	224	1,006	280,830	101,316	1,469,060	1,852,436
2008	586	166	430,830	95,875	1,425,445	1,952,902
2009	-	-	-	90,326	2,166,906	2,257,232
2010	-	-	-	84,673	2,073,075	2,157,748
2011	25	-	-	91,025	2,009,160	2,100,210

**Footnotes:**

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

\*In fiscal year 2002, loans payable were reclassified as notes payable, and notes payable were reclassified as bond payable.

(a) Ratio is calculated using assessed property values.

(b) Ratio is calculated using population data.

Source: Comprehensive Annual Financial Reports

Table 9

Governmental Activities				
Pooled Financing Bonds	Revenue Bonds/ Lease Revenue Bonds/ Certificates of Participation	Tax Allocation Bonds	Tobacco Settlement Asset-Backed Bonds	Total Governmental Activities
\$ -	\$ 609,235	\$ 275,471	\$ -	\$ 1,028,519
-	609,785	283,310	-	1,039,739
-	591,620	314,333	-	1,059,406
-	571,285	415,778	-	1,103,903
-	549,850	514,845	105,400	1,297,434
-	521,210	502,804	102,700	1,248,212
34,115	498,950	548,643	99,370	1,329,960
33,460	579,500	534,547	95,380	1,427,102
32,780	547,260	529,423	92,350	1,405,927
32,010	531,550	615,495	89,600	1,416,298

Business-Type Activities		
Total Primary Government	Percentage of Assessed Value (a)	Debt Per Capita (b)
\$ 2,533,382	2.53%	\$ 2.02
2,729,309	2.51%	2.14
2,863,514	2.43%	2.21
2,869,500	2.19%	2.20
3,053,630	2.42%	2.33
3,100,648	2.23%	2.35
3,282,862	2.17%	2.46
3,684,334	2.25%	2.72
3,563,675	2.19%	2.59
3,516,508	2.21%	2.68

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**City of San Diego**  
**Ratios of General Bonded Debt Outstanding (Unaudited)**  
**Last Ten Fiscal Years**

Table 10

<b>Fiscal Year Ended June 30</b>	<b>General Obligation Bonds (Thousands)</b>	<b>Assessed Valuation (Thousands)</b>	<b>Percentage of Assessed Value (a)</b>	<b>Population (d)</b>	<b>Debt Per Capita (b)</b>
2002	\$ 58,095	\$ 98,917,185	0.059%	1,255,742	\$ 46.26
2003	52,165	107,418,219	0.049%	1,275,112	40.91
2004	45,775	116,268,372	0.039%	1,294,000	35.37
2005	14,530	129,836,535	0.011%	1,306,000	11.13
2006	12,690	125,983,315 (c)	0.010%	1,311,162	9.68
2007	10,705	139,151,323	0.008%	1,316,837	8.13
2008	8,580	151,083,767	0.006%	1,336,865	6.42
2009	6,315	163,665,794	0.004%	1,353,993	4.66
2010	4,340	162,644,868	0.003%	1,376,173	3.15
2011	2,240	159,265,144	0.001%	1,311,882	1.71

Footnotes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) Ratio is calculated using assessed property values.

(b) Ratio is calculated using population data.

(c) The City recognized a fluctuation in Taxable Assessed Value in fiscal year 2006 due to a change in the allocation method between the City & the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB Statement No. 44.

Source: Comprehensive Annual Financial Reports

City of San Diego  
 Direct and Overlapping Debt (Unaudited)  
 June 30, 2011 (In Thousands)

Table 11

<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	Total Debt 6/30/11	% Applicable (1)	City's Share of Debt, 6/30/11
Metropolitan Water District	\$ 227,670	8.999%	\$ 20,488
Palomar Community College District	322,529	26.196%	84,490
San Diego Community College District	617,707	99.924%	617,238
Poway Unified School District School Facilities Improvement District No. 2002-1 & 2007-1	274,996	67.726-68.433%	186,944
San Diego Unified School District	1,700,911	99.927%	1,699,669
Sweetwater Union High School District	338,354	20.897%	70,706
San Ysidro School District	103,297	82.386%	85,102
Other School, High School and Community College Districts	1,199,522	Various	71,611
Grossmont Healthcare District	222,282	8.371%	18,607
Palomar Pomerado Hospital District	481,515	32.061%	154,379
City of San Diego	2,240	100.000%	2,240
City of San Diego Special Assessment/Special Tax Bonds (1)	151,291	100.000%	151,291
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	28,560	100.000%	28,560
North City West School District Community Facilities District	87,083	100.000%	87,083
Poway Unified School District Community Facilities Districts	299,059	99.609-100.000%	298,902
San Dieguito Union High School District Community Facilities Districts	47,134	39.731-81.063%	31,471
Sweetwater Union High School District Community Facilities Districts	40,800	11.543-100.000%	22,534
Other Special District 1915 Act Bonds	17,597	Various	17,597
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>3,648,912</u>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>			
San Diego County General Fund Obligations	385,650	46.840%	\$ 180,638
San Diego County Pension Obligations	820,288	46.840%	384,223
San Diego Superintendent of Schools Certificates of Participation	19,993	46.840%	9,364
Palomar Community College District General Fund Obligations	6,275	26.196%	1,644
Poway Unified School District Certificates of Participation	127,465	71.292%	90,873
Sweetwater Union High School District Certificates of Participation	8,730	20.897%	1,824
Chula Vista School District General Fund Obligations	140,055	5.055%	7,080
San Ysidro School District Certificates of Participation	36,540	82.386%	30,104
Other School, High School and Community College District Certificates of Participation	140,907	Various	6,021
City of San Diego Revenue Bonds, Leased Revenue Bonds, and Certificates of Participation (2)	531,550	100.000%	531,550
Otay Municipal Water District Certificates of Participation	60,095	8.179%	4,915
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>1,248,236</u>
Less: Otay Municipal Water District Certificates of Participation			4,915
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>1,243,321</u>
GROSS COMBINED TOTAL DEBT (3)			<u>4,897,148</u>
NET COMBINED TOTAL DEBT			<u>\$ 4,892,233</u>

**City of San Diego**  
**Direct and Overlapping Debt (Unaudited)**  
**June 30, 2011 (In Thousands)**  
**(Continued)**

Table 11

Ratios to 2010-11 Assessed Valuation:

Direct Debt (\$2,240)	0.001%
Total Gross Direct and Overlapping Tax and Assessment Debt	2.78%
Total Net Direct and Overlapping Tax and Assessment Debt	2.77%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$533,790) (4)	0.34%
Gross Combined Total Debt	3.07%
Net Combined Total Debt	3.07%

City of San Diego	\$ 2,240
City Authorities and Certificates of Participation	531,550
	<u>\$ 533,790</u>

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0

Footnotes:

- (1) Amounts reconcile to Note 19 total special assessment/special tax bonds.
- (2) Amounts for total debt reconcile to Note 5.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
- (4) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

Source: California Municipal Statistics, Inc. and Comprehensive Annual Financial Report

**City of San Diego**  
**Legal Debt Margin Schedule (Unaudited)**  
**Last Ten Fiscal Years (In Thousands)**

	Fiscal Year			
	2002	2003	2004	2005
Assessed valuation (restated) <sup>1</sup>	\$ 98,917,185	\$ 107,418,219	\$ 116,268,372	\$ 129,836,535
Conversion percentage *	25%	25%	25%	25%
Adjusted assessed valuation	24,729,296	26,854,555	29,067,093	32,459,134
Debt limit percentage **	25%	25%	25%	25%
Debt limit <sup>2</sup>	6,182,324	6,713,639	7,266,773	8,114,783
Total net debt applicable to limit:				
General Obligation Bonds	16,920	15,690	14,390	13,010
Legal debt margin	6,165,404	6,697,949	7,252,383	8,101,773
Total debt applicable to the limit as a percentage of the debt limit	0.27%	0.23%	0.20%	0.16%

Footnotes:

<sup>1</sup> The City recognized a fluctuation in Taxable Assessed Value in fiscal year 2006 due to a change in the allocation method between the City & the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44.

<sup>2</sup> The current debt limitation for Water is 15% of the Adjusted Assessed Valuation, or \$5,972,443 and the debt limitation for other purposes is 10% of the Adjusted Assessed Valuation, or \$3,981,629.

\* 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 with the 1981-82 fiscal year, 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.

\*\* 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.

Source: MuniServices, LLC

Table 12

		Fiscal Year					
		2006	2007	2008	2009	2010	2011
\$	125,983,315	\$ 139,151,323	\$ 151,083,767	\$ 163,665,794	\$ 162,644,868	\$ 159,265,144	
	25%	25%	25%	25%	25%	25%	25%
	31,495,829	34,787,831	37,770,942	40,916,449	40,661,217	39,816,286	
	25%	25%	25%	25%	25%	25%	25%
	7,873,957	8,696,958	9,442,735	10,229,112	10,165,304	9,954,072	
	11,520	9,905	8,170	6,315	4,340	2,240	
	7,862,437	8,687,053	9,434,565	10,222,797	10,160,964	9,951,832	
	0.15%	0.11%	0.09%	0.06%	0.04%	0.02%	

**City of San Diego**  
**Pledged-Revenue Coverage - Water Bonds (Unaudited)**  
**Last Ten Fiscal Years (In Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Total System Revenues</b>	<b>Total Maintenance and Operation Costs (Excludes Depreciation)</b>	<b>Net System Revenues <sup>1</sup></b>	<b>Less: Interest Earnings on Reserve Funds - Senior Obligations</b>	<b>Adjusted Net System Revenues <sup>2</sup></b>
2002	\$ 261,333	\$ 222,104	\$ 39,229	\$ (3,444)	\$ 35,785
2003	256,968	226,058	30,910	(1,305)	29,605
2004	267,649	232,193	35,456	(1,296)	34,160
2005	294,904	234,392	60,512	(1,262)	59,250
2006	303,453	242,180	61,273	(1,228)	60,045
2007	336,599	255,486	81,113	(1,346)	79,767
2008	350,770	258,813	91,957	(1,481)	90,476
2009	364,413	263,280	101,133	(2,668)	98,465
2010	394,948	287,361	107,587	(3,767) <sup>4</sup>	103,820
2011	397,755	285,059	112,696	(1,436)	111,260

Footnotes:

<sup>1</sup> Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Water System for the fiscal year.

<sup>2</sup> Adjusted Net System Revenues is 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> All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.

<sup>4</sup> Interest Earnings on Reserve Funds for FY 2010 were updated for correct amounts.

Source: Comprehensive Annual Financial Reports

Table 13

Senior Debt Service					All Obligations <sup>3</sup>			
Principal	Interest	Total	Less: Senior Interest Earnings	Adjusted Debt Service	Adjusted Debt Service Coverage	Total Debt Service	Aggregate Debt Service Coverage	
\$ 6,780	\$ 18,594	\$ 25,374	\$ (3,444)	\$ 21,930	1.63	\$ 25,510	1.54	
7,055	16,308	23,363	(1,305)	22,058	1.34	27,002	1.14	
7,345	14,010	21,355	(1,296)	20,059	1.70	34,861	1.02	
7,645	13,710	21,355	(1,262)	20,093	2.95	34,861	1.74	
7,965	13,390	21,355	(1,228)	20,127	2.98	35,549	1.72	
8,305	13,046	21,351	(1,346)	20,005	3.99	40,759	1.99	
8,675	12,679	21,354	(1,481)	19,873	4.55	43,082	2.13	
9,065	12,289	21,354	(2,668)	18,686	5.27	49,600	2.04	
1,035	27,268	28,303	(3,767) <sup>4</sup>	24,536	4.23	56,978	1.89	
6,355	27,760	34,115	(1,436)	32,679	3.40	62,784	1.79	

**City of San Diego**  
**Pledged-Revenue Coverage - Sewer Bonds (Unaudited)**  
**Last Ten Fiscal Years (In Thousands)**

Fiscal Year Ended June 30	Total System Revenues <sup>1</sup>	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues <sup>2</sup>	Senior Debt Service		
				Principal	Interest	Total
2002	\$ 310,392	\$ 170,022	\$ 140,370	\$ 23,045	\$ 54,009	77,054
2003	334,551	241,822	92,729	24,000	53,046	77,046
2004	296,169	196,823	99,346	25,030	52,020	77,050
2005	322,542	204,163	118,379	26,120	50,935	77,055
2006	320,288	202,111	118,177	27,390	49,662	77,052
2007 <sup>4</sup>	343,921	202,632	141,289	28,760	48,291	77,051
2008	361,511	211,449	150,062	30,250	46,805	77,055
2009	353,446	197,379	156,067	31,700	45,356	77,056
2010	406,076	220,701	185,375	43,320	59,909	103,229
2011	380,375	198,773	181,802	42,620	59,868	102,488

Footnotes:

<sup>1</sup> Beginning in Fiscal Year 2004, the City's methodology for reporting Net System Revenues was changed to exclude interest earnings on Acquisition Bond Proceeds from Total Income. The data presented in this Table has been restated to reflect this change.

<sup>2</sup> Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Wastewater System for the fiscal year.

<sup>3</sup> All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.

<sup>4</sup> Senior Debt Service principal and interest amounts for FY 2007 were updated for correct amounts.

Source: Comprehensive Annual Financial Reports



Table 14

Senior Debt Service Coverage	All Obligations <sup>3</sup>	
	Total Debt Service	Aggregate Debt Service Coverage
1.82	\$ 77,888	1.80
1.20	80,995	1.14
1.29	81,516	1.22
1.54	84,789	1.40
1.53	86,802	1.36
1.83	96,408	1.47
1.95	94,555	1.59
2.03	94,305	1.65
1.80	109,288	1.70
1.77	108,547	1.67

**City of San Diego  
Demographic and Economic Statistics (Unaudited)  
Last Ten Fiscal Years**

**Table 15**

<b>Fiscal Year Ended June 30</b>	<b>Population <sup>1</sup></b>	<b>Personal Income <sup>2</sup> (Thousands \$)</b>	<b>Per Capita Personal Income (\$)</b>	<b>Unemployment Rate <sup>3</sup></b>
2002	1,255,742	31,859,430	25,371	3.7%
2003	1,275,112	32,794,606	25,719	4.4%
2004	1,294,000	35,896,854	27,741	5.0%
2005	1,306,000	38,523,082	29,497	4.5%
2006	1,311,162	37,749,536	28,791	4.3%
2007	1,316,837	39,302,317	29,846	4.0%
2008	1,336,865	42,678,078	31,924	4.6%
2009	1,353,993	42,857,116	31,652	6.0%
2010	1,376,173	43,522,125	31,625	9.7%
2011	1,311,882	40,336,436	30,747	10.2%

Footnotes:

<sup>1</sup> Population projections are provided by the California Department of Finance.

<sup>2</sup> Income data is provided by the United States Census Data and is adjusted for inflation.

<sup>3</sup> Unemployment data is an annual percentage provided by the EDD's Bureau of Labor Statistics Department.

Sources: MuniServices, LLC and CA Dept. of Finance

**City of San Diego  
Principal Employers (Unaudited)  
Fiscal Year-End 2011**

**Table 16**

<u>Employer</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment <sup>1</sup></u>
United States Navy <sup>2</sup>	54,000	7.71%
University of California San Diego <sup>3</sup>	27,406	3.91%
San Diego Unified School District	16,158	2.31%
San Diego County	15,063	2.15%
Sharp Healthcare <sup>4</sup>	14,924	2.13%
Qualcomm, Inc.	11,500	1.64%
City of San Diego <sup>5</sup>	10,051	1.43%
Kaiser Permanente	7,101	1.01%
UC San Diego Medical Center	5,799	0.83%
San Diego Gas & Electric Co. <sup>6</sup>	4,643	0.66%
Total Top Employers	<u>166,645</u>	<u>23.79%</u>

Footnotes:

<sup>1</sup> Percentage based on total employment of 700,600 provided by the EDD Labor Force Data.

<sup>2</sup> Employee count includes Navy personnel only (civilian/military).

<sup>3</sup> Employee count includes full and part time, academic and support staff.

<sup>4</sup> Employee count is companywide.

<sup>5</sup> Employee Count is provided by the City of San Diego, Office of the Comptroller - Payroll Division (Table 17).

<sup>6</sup> Employee count does not include Sempra Energy or other affiliate companies.

Source: MuniServices, LLC

**City of San Diego**  
**Full-time and Part-time City Employees by Function (Unaudited)**  
**Last Ten Fiscal Years**

Table 17

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government and Support	2,015	2,039	1,990	1,944	1,816	1,870	1,979	2,248	2,217	2,143
Public Safety - Police	2,875	2,836	2,730	2,774	2,628	2,627	2,712	2,674	2,547	2,409
Public Safety - Fire and Life Safety and Homeland Security	1,314	1,355	1,352	1,373	1,322	1,333	1,314	1,304	1,331	1,265
Parks, Recreation, Culture and Leisure	2,023	2,052	1,822	1,777	1,701	1,663	1,705	1,682	1,675	1,556
Transportation	517	513	501	461	447	339	326	279	282	280
Sanitation and Health	163	161	161	148	144	129	150	164	156	153
Neighborhood Services	259	260	235	234	177	148	154	145	132	137
Airports	20	21	19	17	14	14	15	16	16	17
Development Services	498	463	524	535	482	426	392	329	258	259
Environmental Services	222	225	219	219	196	188	164	168	172	160
Golf Course	70	73	82	81	88	95	88	97	93	89
Recycling	118	120	119	116	121	108	98	100	97	87
Sewer Utility	1,052	1,108	1,071	1,050	976	906	863	817	781	762
Water Utility	997	979	975	943	878	839	829	776	742	734
<b>Total Employees</b>	<b>12,143</b>	<b>12,205</b>	<b>11,800</b>	<b>11,672</b>	<b>10,990</b>	<b>10,685</b>	<b>10,789</b>	<b>10,799</b>	<b>10,499</b>	<b>10,051</b>

Source: City of San Diego, Office of the Comptroller - Payroll Division

**City of San Diego**  
**Operating Indicators by Function (Unaudited)**  
**Last Six Fiscal Years <sup>1</sup>**

Table 18

Function	Fiscal Year					
	2006	2007	2008	2009	2010	2011
<u>Public Safety - Police</u>						
Calls for police services dispatched	626,067	623,940	631,371	668,989	653,086	633,328
Calls for 9-1-1 emergencies	471,927	518,291	526,391	506,738	501,094	542,010
<u>Public Safety - Fire and Life Safety and Homeland Security</u>						
Fire Department:						
Emergency calls - fire	3,579	3,392	4,445	3,868	2,740	2,559
Emergency calls - medical/rescue	84,882	87,789	91,932	94,422	97,049	100,460
Emergency calls - other	12,918	13,010	13,635	13,671	14,295	15,245
Lifeguard:						
Water rescues	5,075	3,696	4,771	5,233	5,066	4,187
Other rescues	4,490	3,388	4,334	4,813	5,002	5,574
Beach attendance	21,277,945	21,253,050	20,275,495	21,166,884	25,774,465	22,186,170
<u>Parks, Recreation, Culture and Leisure</u>						
Parks and Recreation:						
Number of aquatic users <sup>2</sup>	333,688	293,300	325,080	311,173	303,200	299,145
Number of youth served in after school program sites <sup>2</sup>	80,837	57,111	88,032	84,140	89,790	92,035
Library:						
Circulation	7,003,040	7,167,104	7,374,378	7,651,619	7,706,431	7,129,443
Total attendance - all libraries	6,017,790	6,040,091	6,234,038	6,601,210	6,143,281	5,771,767
<u>Sewer Utility</u>						
Average daily sewage flow (millions of gallons)	180.95	175.13	175.29	170.78	166.43	169.56
Average daily peak - maximum sewage flow <sup>3</sup> (millions of gallons)	224.41	215.67	242.19	268.29	288.17	409.80
System daily capacity (millions of gallons)	255.00	255.00	255.00	255.00	255.00	255.00
<u>Water Utility</u>						
Average daily consumption (millions of gallons)	204.74	220.28	204.00	194.00	179.00	171.00
Maximum daily consumption (millions of gallons)	279.47	291.17	298.00	283.00	243.00	239.00
Total water consumption (millions of gallons)	74,730	79,606	74,430	70,893	65,644	62,511
Total water deliveries <sup>4</sup> (millions of gallons)	79,486	83,202	80,100	77,014	59,567	56,760

Footnotes:<sup>1</sup> Historical data for prior years is unavailable.<sup>2</sup> Estimated figure.<sup>3</sup> The National Pollutant Discharge Elimination System (NPDES) permitted treatment capacity is the sum of the design Average Annual Daily Flows (AADF) for Point Loma Wastewater Treatment Plant (PLWTP) and South Bay Water Reclamation Plant (SBWRP). There is no permit restriction for Maximum Daily Flow at PLWTP as long as the AADF is not exceeded. The Peak Wet Weather Flow is the hydraulic capacity of the Point Loma Ocean Outfall.<sup>4</sup> Includes filtered and raw water

Source: Citywide departments.

**City of San Diego**  
**Capital Asset Statistics by Function (Unaudited)**  
**Last Ten Fiscal Years**

Function	Fiscal Year			
	2002	2003	2004	2005
<u>Public Safety - Police</u>				
Stations	10	10	10	10
<u>Public Safety - Fire and Life Safety and Homeland Security</u>				
Fire stations	43	43	45	45
<u>Parks, Recreation, Culture and Leisure</u>				
Park and recreation sites <sup>1</sup>	444	460	363	367
<u>Transportation</u>				
Miles of streets -asphalt,concrete, & dirt <sup>2</sup>	3,112	2,985	2,985	2,800
<u>Airports</u>				
Municipal airports	2	2	2	2
<u>Golf Course</u>				
Municipal golf courses <sup>3</sup>	9	10	10	10
<u>Sewer Utility</u>				
Miles of sewers	2,620	2,950	3,028	3,030
Sewer service laterals	266,342	268,372	270,365	271,284
<u>Water Utility</u>				
Miles of water distribution mains	3,157	3,280	3,317	3,319
Water meters in service	266,627	267,845	270,022	271,204
Fire hydrants	23,844	24,145	24,428	24,600

Footnotes:

<sup>1</sup> Statistics for fiscal years 2000-2003 were based on the number of parks, squares, and recreation centers. The department updated the statistics for overall park and recreation sites onward from fiscal

<sup>2</sup> In prior years, miles of streets also included alleys and dirt streets. Since FY 2006, Transportation provided the statistic only for miles of asphalt and concrete streets.

<sup>3</sup> Includes City operated as well as leased golf courses.

Sources: Comprehensive Annual Financial Reports, Citywide departments

Table 19

Fiscal Year					
2006	2007	2008	2009	2010	2011
10	10	10	10	10	10
45	46	47	47	47	47
370	380	380	384	385	385
2,685	2,700	2,721	2,721	2,774	2,774
2	2	2	2	2	2
10	10	10	10	10	10
2,993	3,018	3,076	3,023	2,991	3,146
271,445	274,014	273,081	273,438	273,587	274,464
3,336	3,381	3,263	3,281	3,294	3,190
272,466	273,304	278,692	274,310	276,217	274,310
24,661	24,905	25,003	25,023	25,044	25,060

