

# City of San Diego, California



Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2013



# **City of San Diego**

State of California



## **Comprehensive Annual Financial Report**

Fiscal Year Ended June 30, 2013

Prepared Under the Supervision of

**Kenton C. Whitfield, CPA, Comptroller**  
**Rolando Charvel, Director of Financial Reporting**  
Office of the City Comptroller

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### **Forward-Looking Statements**

The Comprehensive Annual Financial Report of the City of San Diego for the fiscal year ended June 30, 2013 (CAFR), including the Letter of Transmittal and the section regarding Management's Discussion and Analysis, contains forward-looking statements regarding the City of San Diego's (City) business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in the CAFR. Additionally, statements concerning future matters such as City budgets and the financial outlook for future years, the level of City services, California state matters that may impact the City, revenue and expense levels, expected completion dates for projects and other statements regarding matters that are not historical are also forward-looking statements.

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

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## INTRODUCTORY SECTION





THE CITY OF SAN DIEGO

**December 6, 2013****To the Citizens of San Diego and Interested Parties**

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San Diego City Charter § 111 requires the City of San Diego (City) to submit an annual report on the accounts and financial books of the City and requires that all of its accounts be audited by an independent auditor. Pursuant to this requirement, the Comprehensive Annual Financial Report (CAFR) of the City of San Diego for the fiscal year ended June 30, 2013, is hereby submitted. The audit firm of Macias Gini & O'Connell LLP has issued an unmodified opinion (previously referred to as *unqualified*) on the City's basic 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 internal controls over its 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, as of the date hereof, 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. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities, as well as those of its related agencies', 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 City's economy, the organizational structure of the City, and selected other financial information.
- The financial section is prepared in accordance with governmental accounting standards. It includes the independent auditor's report, the MD&A (unaudited), the audited basic financial statements, notes to the basic financial statements, required supplementary information (unaudited), and supplementary information.

- 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.

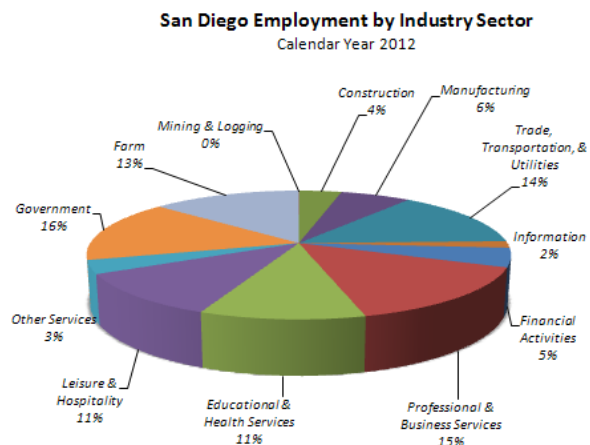
Readers of these financial statements should pay particular attention to Notes 12, 13, 17, 18, 23 and 24, concerning Pension Plans, Other Postemployment Benefits, Commitments, Contingencies, Extraordinary Gain (Loss) and Subsequent Events, respectively. The notes, along with the other financial and operational 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, 2013.

## Factors Affecting Financial Condition

The information presented in this report is best understood in the context of the environment in which the City operates. A more comprehensive analysis of these factors is available in the City's Five-Year Financial Outlook Report, which is presented to the City Council each year in November. It can be obtained online at [www.sandiego.gov/fm/financial/index.shtml](http://www.sandiego.gov/fm/financial/index.shtml).

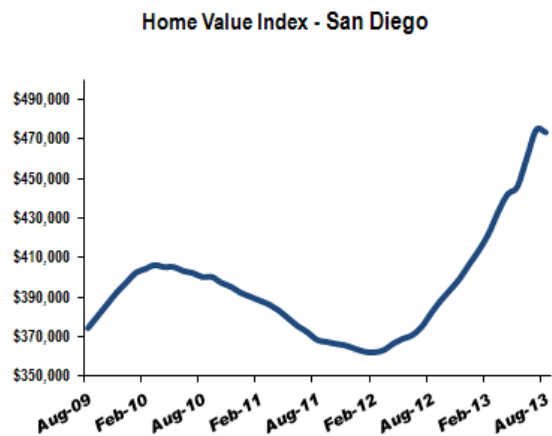
### Economic Condition and Outlook

One of San Diego's most important assets is the diversity of its economy and its reputation as a center for innovation. The region is a thriving hub for the biotechnology and telecommunications industries. San Diego also has a significant high tech manufacturing sector and is a popular travel destination. Quality of life is among the best in the nation and the region's population has higher levels of educational attainment relative to the state overall. About 85 percent of the population has a high school diploma or more, while 34 percent has a bachelor's degree or more. Employment, real estate valuation, consumer spending and tourism have all improved in 2013 over the prior year, which in turn, have improved the fundamental revenue picture for the City.

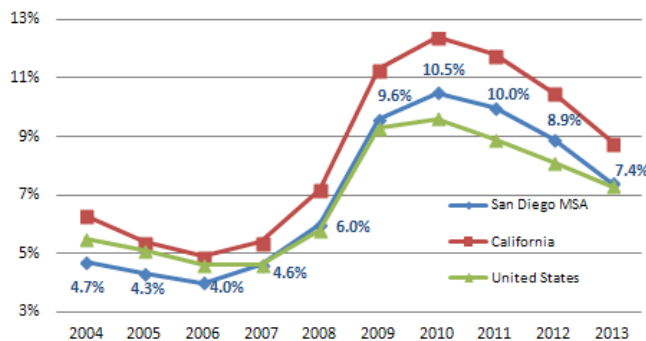


In the fiscal year 2014 Adopted Budget, the City's four major revenues sources, property tax, sales tax, transient occupancy tax (TOT), and franchise fees, made up 67.5 percent of the budgeted General Fund revenue. All four major revenue sources are projected to increase over the next five year forecast period; however, the rate of increase is expected to flatten in the later years as a result of an over correction from the economic downturn coming to an end and returning to more normal levels of growth.

Property tax revenue is affected by the California Consumer Price Index (CCPI), home sales, home price, and foreclosures. It is the CCPI that drives assessed valuation under Proposition 13. The California Department of Finance forecasts calendar year 2013 CCPI growth of 0.9 percent; however, current year-to-date growth is 1.7 percent. The County of San Diego (County) has seen positive growth in home prices, with a calendar 2013 year-to-date (YTD) increase of 16.8 percent in the average home price. This increase suggests positive Assessed Valuation (AV) growth in fiscal year 2015. Along with growth in home prices, the County is experiencing positive growth in home sales of 12.6 percent in 2013 YTD, which also suggests positive AV growth for fiscal year 2015 as more homes will be reassessed to the market value, which increases the property tax base. There are also YTD declines of 56.3 percent in notices of default, and 50.9 percent in foreclosures; leading to fewer foreclosed properties on the market, thus decreasing the risk of lowering the City's AV and property tax base. The City is projecting property tax revenue to improve an average of three percent or more over the five year outlook period.



**San Diego Unemployment Rates**  
Calendar Years 2004-2013



The major local economic drivers of the City's sales tax revenue include the unemployment rate and consumer confidence. The sales tax revenue projection for fiscal year 2015 assumes that the unemployment rate will remain above average levels when compared to historical averages for the region. As of August 2013, the San Diego unemployment rate was 7.4 percent. For comparison, the local unemployment rate in the years 2000 through 2008 in the region ranged between 4.0 and 5.0 percent. As the local

unemployment rate improves and becomes closer to historical averages, consumer confidence is projected to increase, leading to continued improvements in the City's sales tax receipts.

Major economic drivers for TOT revenue include seasonal and non-seasonal tourism, business travel, and conventions. Sustained positive tourism growth has occurred since the economic turnaround began in fiscal year 2010 and this trend is expected to continue through fiscal year 2014, according to the July 2013 Quarterly Travel Forecast from the San Diego Tourism Authority (SDTA). Slow but steady growth in hotel room demand and occupancy is forecasted through fiscal year 2015, and is then expected to level off in later years as displayed in the following table.

<b>Tourism Forecast</b>	<b>CY 2013</b>	<b>CY 2014</b>	<b>CY 2015</b>	<b>CY 2016</b>	<b>CY 2017</b>
Visitor Growth	1.3%	2.0%	2.2%	2.8%	2.9%
Overnight	1.0%	2.0%	1.9%	1.9%	1.6%
Room Demand	1.9%	2.6%	2.7%	2.6%	2.3%
Occupancy	71.4%	72.5%	72.8%	72.7%	73.8%
Average Daily Rate	\$ 134.23	\$ 140.90	\$ 146.28	\$ 150.36	\$ 155.43

### **Budgeting Systems and Controls**

The City maintains budgetary controls, which are designed to ensure compliance with legal provisions of the annual budget, which is proposed by the Mayor and adopted by the City Council. An operating budget is legally adopted by ordinance each fiscal year for the General Fund and Enterprise Funds, as well as numerous non-major funds and capital projects. The level of budgetary control for all City funds is exercised at the salaries and wages and non-personnel expenditures level. Budgetary control for the General Fund is at the department level, while control for other budgeted funds, including those of certain component units, is maintained at the total fund appropriation level.

The annual operating budget is prepared on a zero-base budgeting process. This includes an annual base budget for each City department that is subject to a detailed technical review and is adjusted for base reductions or supplements based on revenue and expenditure forecasts. Single year needs are funded within department budgets as one-time budgetary expenditures. City departments are required to review their actual expenditures compared to budget and work with the Financial Management department to prepare quarterly budget monitoring and forecast reports for City Council review.

Along with these reports, the Mayor and/or City Council may propose additions or deletions from the annual adopted budget based on current actual information and near-term financial forecasts for revenues and expenditures/expenses, so long as all changes adhere to the City's provisions for a balanced budget.

### **Long-Term Financial Planning**

Adequate financial reserves position the City 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 recognizes its current reserve levels and the Reserve Policy as a cornerstone of its fiscal health and has a strong investment grade rating and stable outlooks from all three credit rating agencies. The City's General Fund Reserve Policy calls for eight percent of General Fund revenue. As of June 2013, the General Fund, as defined in the City's annual budget, had fund balance restricted for emergencies of \$58.5 million in addition to assigned and unassigned fund balance of \$121 million. The combined total of \$179.5 million represents 16.5 percent of the General Fund's revenues.

Each year the City develops a Five-Year Financial Outlook (Outlook), which is the guiding document for long-range fiscal planning and serves as the framework for the development of the next (fiscal year 2015)

annual budget. The Outlook has been published since November 2006 and is expanded from previous editions to incorporate a greater range of information on items that will influence projected revenues and anticipated appropriation needs over the next five fiscal years. The incorporation of more information in the Outlook, particularly those affecting appropriation needs, is intended to provide transparency and inform the City Council and the public on the long-term costs of programs in the context of the City's overall General Fund budget. The Outlook was reformatted this year into the following sections: Baseline Budget; Mandates; Critical Operational Needs; and Reserves.

Per the City Charter, the Mayor will present a balanced budget in April for the City Council's consideration. Based on projected revenue, not all of the expense items presented in the Outlook will be funded. The City has significant future mandated expenditure needs of which a funding source has yet to be identified. However, the purpose of the Outlook is to give the City Council and the public, information to facilitate an informed discussion regarding the City's needs during development of the fiscal year 2015 Adopted Budget and beyond.

In fiscal year 2013, the City Council established a new Infrastructure Committee with the responsibility to examine issues in the area of Capital Improvement Program (CIP), Creation of a Five-Year CIP for all asset classes, Community Hearings on CIP Priorities, Revisions to any Council Policies dealing with CIP, Oversight of CIP Streamlining, Infrastructure Finance, Regional Transportation Improvement Program (RTIP), and Asset Management. Like all major cities, San Diego has an infrastructure capital backlog, which requires regular assessment and significant support funding. In recent years, San Diego has partially addressed funding this infrastructure backlog by issuing a series of lease revenue bonds backed by the City General Fund totaling over \$210 million. A financing plan was authorized for an additional \$120 million to continue to address the deferred capital backlog in City streets, buildings, and the storm water system. Additional condition assessment in these asset classes is ongoing.

In addition, the City Council committees on the Environment, Public Safety and Livable Neighborhoods, Smart Growth and Land Use, Budget and Government Efficiency and Economic Development and Intergovernmental Relations all examine and make recommendations to address the long-term needs of the City. The Mayoral committees of the Capital Improvement Program Review and Advisory Committee (CIPRAC) and Information Technology Business Leadership Group (ITBLG) examine in detail all contemplated capital projects and IT initiatives, respectively, each of which has a long-term impact, both operationally and financially to the City. Multiple citizen advisory committees also contribute to the dialog regarding long range needs and planning, and regularly report their recommendations to the Mayor and City Council.

## Major Accomplishments and Initiatives

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On September 30, 2013, San Diego opened the doors to the New Main Library. This multi-year construction project had been in the vision and planning stages for 30 years. The library is a new multi-story, multi-use facility that includes a Charter High School, auditorium, art gallery and multiple public meeting spaces. The 500,000 square foot building will meet current downtown library needs as well as



provide room for growth. The project was funded by several sources including initial funding from the former San Diego Redevelopment Agency (former RDA), grant funds and substantial private donations.

In June 2013, the City was successful in reaching a five-year labor agreement with each of the six employee bargaining units, which held pensionable pay flat over the term at fiscal year 2013 salary levels. The multi-year agreements were consistent with the provisions of Proposition B, passed by voters in June 2012, which replaced the defined benefit pension plan with a defined contribution pension plan for all new employee groups, except sworn police officers, and called for a five-year pensionable pay freeze. The five-year labor agreements, assuming no other actuarial changes, are expected to reduce the City's pension payment by approximately \$110 million over the five-year Outlook period.

The City continued to move forward on a 740,000 square foot bay front Convention Center Expansion project. Hoteliers approved by a proportionate vote, a funding plan which would increase the TOT per hotel/motel property in a graduated way according to the proximity to the Convention Center. The City Council also approved its funding participation in the project. In October 2013, the California Coastal commission granted approval of the project which is located adjacent to the San Diego Bay and under their jurisdictional oversight. Pending the successful litigation of lawsuits contesting the project, the City hopes to move forward with the Convention Center Expansion in 2014. The expanded convention center will add 225,000 square feet (sf) of exhibit halls, 101,000 sf of meeting room space, 80,000 sf of ballrooms and a five-acre rooftop park overlooking beautiful San Diego Bay. This project will make the San Diego Convention Center one of the largest venues of its kind in the United States, attracting even more business to San Diego.

Working with the Westfield Group, a major international shopping center operator, the City (through the former Redevelopment Agency) approved an Owner Participation Agreement to construct a new park adjacent to the downtown Horton Plaza shopping center. Westfield is transferring the site to the City, and the City is transforming the area to a new world class urban plaza in the heart of downtown San Diego. Construction is now ongoing and expected to be completed by the spring of 2015. Westfield will maintain and operate the new urban plaza and historic park and provide programming with at least 200 events per year. This is an exciting addition to an already vibrant San Diego urban core.

Respectfully Submitted,



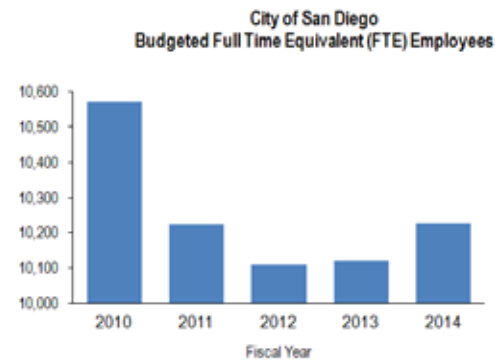
Scott Chadwick  
Chief Operating Officer



Kenton C. Whitfield  
City Comptroller

## Profile of the City of San Diego

The City of San Diego was incorporated in 1850. The City comprises 325 square miles and, as of January 2013, the California Department of Finance estimates the population to be 1,326,238. The City, with 10,026 full and part-time 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.



The City operates under and is governed by the laws of the State of California and its own Charter, as periodically amended since its adoption by the electorate in 1931. The City operates under a Strong-Mayor form of government. The Mayor is elected at large to serve a four-year term.



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 nine 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 became effective in December 2012.

In December 2012, the citizens elected Bob Filner as Mayor of San Diego for a four-year term. Following a contentious nine months in office in which the Mayor was accused of sexual harassment and misconduct, Mayor Bob Filner resigned from office on August 31, 2013.

On August 31, 2013, City Council President Todd Gloria assumed limited authority to exercise executive powers of the Mayor, pending the outcome of a special mayoral election. The special mayoral election was held on November 19, 2013. No candidate received a majority of the votes cast. A special mayoral runoff election will likely be held in February 2014, to determine the winner of the mayoral contest. The newly elected mayor will assume office immediately following the election vote and will serve the remaining term of the outgoing mayor, which runs until December 2016.

## City of San Diego Current Officials

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### Current Elected Officials (Holding office as of the issuance date of this report)

#### Mayor\*

District 1  
Councilmember Sherri Lightner



District 6  
Councilmember Lorie Zapf

District 2  
Councilmember Kevin Faulconer



District 7  
Councilmember Scott Sherman

District 3  
Council President Todd Gloria



District 8  
Councilmember David Alvarez

District 4  
Councilmember Myrtle Cole



District 9  
Councilmember Marti Emerald

District 5  
Councilmember Mark Kersey



City Attorney  
Jan Goldsmith

### Other City Officials

Scott Chadwick, 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

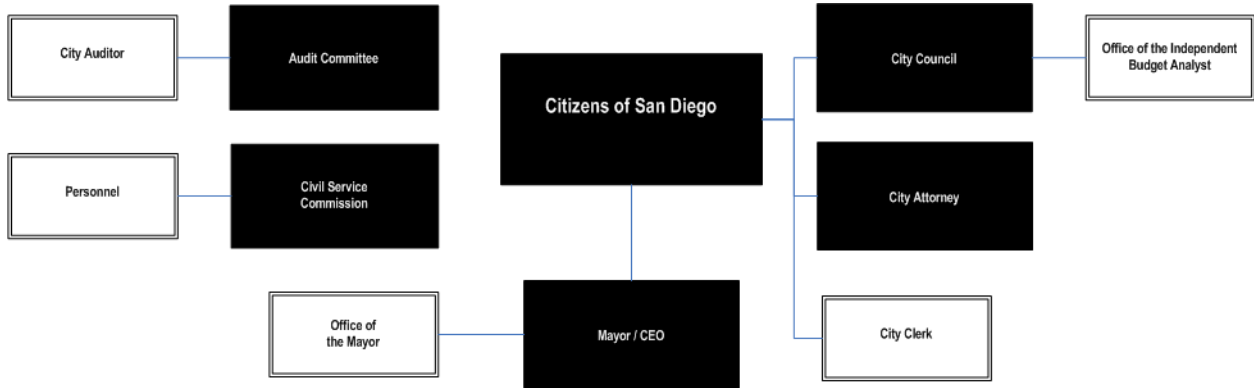
Eduardo Luna, City Auditor

\*The position of Mayor is vacant as of the issuance of this report. In the interim, Council President is performing certain mayoral duties.

## City of San Diego Organization Chart

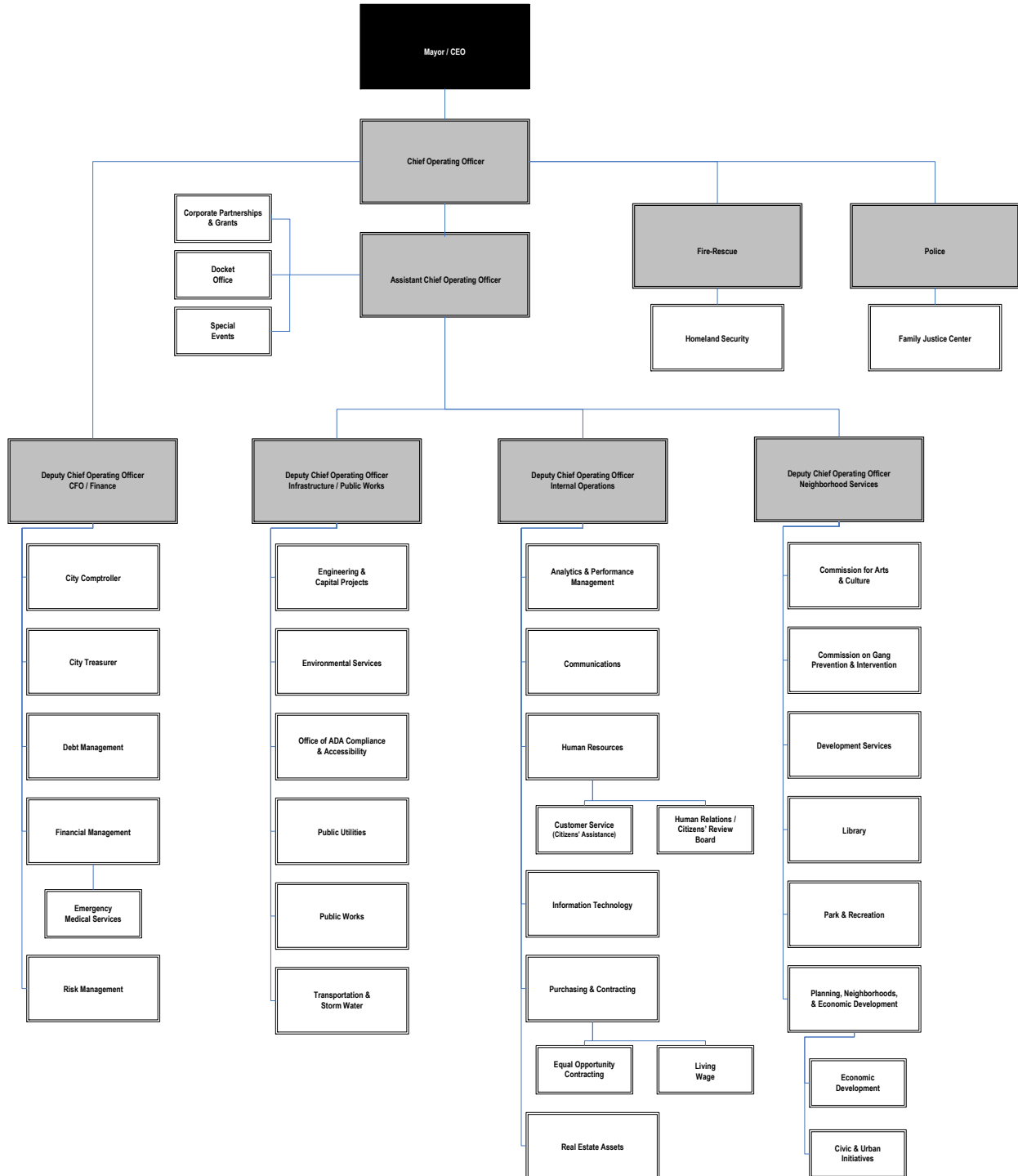
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### City of San Diego Legislative Organization Chart (As of the issuance date of this report)



## City of San Diego Organization Chart

City of San Diego Operations Organization Chart\*  
(As of the issuance date of this report)



\*On October 29, 2013, Council President Todd Gloria and Chief Operating Officer Scott Chadwick proposed and presented to the City Council a new City of San Diego organization chart. The City Council approved the changes to the organizational structure.

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## FINANCIAL SECTION



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Diego Housing Commission, a discretely presented component unit, which represent 93%, 97%, and 88%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Diego Housing Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matters***

As discussed in Note 12 to the financial statements, based on the most recent actuarial valuation of the City's defined benefit pension plan as of June 30, 2012, the San Diego City Employees' Retirement System's third-party actuary determined that, as of June 30, 2012, the actuarial accrued liability exceeded the actuarial value of assets by approximately \$2.3 billion.

As discussed in Note 13 to the financial statements, based on the most recent actuarial valuation of the City's other postemployment benefit plan as of June 30, 2013, the City's third-party actuary determined that, as of June 30, 2013, the actuarial accrued liability exceeded the actuarial value of assets by \$444.1 million.

As discussed in Note 16 to the financial statements, several City funds have net position deficits as of June 30, 2013, including the Self Insurance Internal Service Fund, which reported a deficit net position of \$145.3 million, an increase from the prior year of \$27.7 million.

As discussed in Note 17 to the financial statements, the Regional Water Quality Control Board (Board) recently incorporated Total Maximum Daily Loads (TMDLs) into the City's municipal storm water permit to limit pollution and satisfy water quality standards. As a result, the City has estimated costs of \$710 million to comply with the TMDL for fiscal years 2014 through 2018 and \$3.25 billion for fiscal years 2019 through 2031.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment benefit trust funds schedules of funding progress, schedule of employer contributions, and the general fund budgetary schedule of revenues, expenditures and changes in fund balance 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Macias Jini & O'Connell LLP*

San Diego California  
December 6, 2013

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**Year Ended June 30, 2013**  
**(Dollars in Thousands)**

As management of the City of San Diego (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2013. 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 position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual amount reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing changes in the City's net position during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The focus is on both gross and net costs of City functions, which are supported by general revenues. This statement also distinguishes functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: General Government and Support; Public Safety - Police; Public Safety - Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services and interest on debt service. The business-type activities of the City include: Sewer Utility; Water Utility; Airports; Development Services; Environmental Services; Golf Course; 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. The City also reports fiduciary component units which are not included in the government-wide financial statements since they are not part of the primary government. Fiduciary component units include the San Diego City Employees' Retirement System (SDCERS) and the Successor Agency of the Redevelopment Agency of the City of San Diego (Successor Agency). Blended component units, also legally separate entities, are a part of the City's operations and are combined with the primary government.

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

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



- San Diego Data Processing Corporation (SDDPC)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)

The government-wide financial statements can be found beginning on page 46 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 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 schedule has been provided for the General Fund to demonstrate compliance with this budget and is presented as required supplementary information.

The basic governmental funds financial statements can be found beginning on page 50 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, Self Insurance, and San Diego Data Processing Corporation 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 54 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 58 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 60 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, employer contributions to the postemployment healthcare benefits plan and the General Fund's budgetary comparison schedule. Required supplementary information can be found beginning on page 168 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 other postemployment healthcare benefits and the General Fund budgetary comparison schedule, beginning on page 189 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**CITY OF SAN DIEGO'S SUMMARY OF NET POSITION**  
(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Capital Assets	\$ 4,496,229	\$ 4,454,495	\$ 5,207,184	\$ 5,069,961	\$ 9,703,413	\$ 9,524,456
Other Assets	1,795,448	1,751,359	1,288,341	1,339,715	3,083,789	3,091,074
Total Assets	6,291,677	6,205,854	6,495,525	6,409,676	12,787,202	12,615,530
Net Long-Term Liabilities	1,480,575	1,374,026	2,185,952	2,238,791	3,666,527	3,612,817
Other Liabilities	182,801	293,824	196,563	174,860	379,364	468,684
Total Liabilities	1,663,376	1,667,850	2,382,515	2,413,651	4,045,891	4,081,501
Net Position:						
Net Investment in Capital Assets	3,963,306	3,835,923	3,378,535	3,131,831	7,341,841	6,967,754
Restricted	1,006,385	980,494	32,715	37,808	1,039,100	1,018,302
Unrestricted	(341,390)	(278,413)	701,760	826,386	360,370	547,973
Total Net Position	\$ 4,628,301	\$ 4,538,004	\$ 4,113,010	\$ 3,996,025	\$ 8,741,311	\$ 8,534,029

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$8,741,311 as of June 30, 2013, an increase of \$207,282, or approximately 2%, over fiscal year 2012.

Of Total Net Position, \$7,341,841, or approximately 84% represents the City's net 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.

Restricted Net Position is \$1,039,100, or approximately 12%, of total Net Position, representing resources that are subject to external restrictions on how they may be used. The remaining balance of \$360,370, or approximately 4%, represents Unrestricted Net Position which is available to fund ongoing services to the City's citizens and obligations to its creditors.

Total Net Position resulting from Governmental Activities increased by \$90,297, or approximately 2%. Net Investment in Capital Assets increased by \$127,383 due to a net increase in Capital Assets for Governmental Activities of \$41,734 and a reduction in capital asset related debt of \$85,649. Restricted Net Position increased by \$25,891, or approximately 3%, primarily due to the creation of the Low-Moderate Income Housing Fund, which received transfers of housing related assets and liabilities from the Successor Agency Private-Purpose Trust Fund (see Note 23). Other Liabilities for Governmental Activities decreased by \$111,023, or approximately 38%, primarily due to a decrease in the liability reported in fiscal year 2012 for capital assets payable to the Successor Agency Private-Purpose Trust Fund, which were transferred in July 2012.

Total Net Position resulting from Business-Type Activities increased by \$116,985, or approximately 3%. Net Investment in Capital Assets increased by \$246,704, or approximately 8%, primarily due to a large capital asset donation from the San Diego County Water Authority, and increases in infrastructure capital assets for both Sewer and Water Utilities. Unrestricted Net Position decreased by \$124,626, or approximately 15%, which was also primarily attributed to the use of Unrestricted Net Position to fund infrastructure costs for Sewer and Water Utilities.

**CITY OF SAN DIEGO'S SUMMARY OF CHANGES IN NET POSITION**  
(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 409,156	\$ 438,423	\$ 892,087	\$ 887,037	\$ 1,301,243	\$ 1,325,460
Operating Grants and Contributions	82,760	62,181	1,761	2,939	84,521	65,120
Capital Grants and Contributions	152,193	46,770	91,878	75,194	244,071	121,964
<b>General Revenues</b>						
Property Taxes	421,894	508,938	-	-	421,894	508,938
Transient Occupancy Taxes	158,105	148,184	-	-	158,105	148,184
Sales Taxes - Shared State Revenue	269,504	253,624	-	-	269,504	253,624
Other Local Taxes	166,548	173,954	-	-	166,548	173,954
Grants and Contributions not Restricted to						
Specific Programs	705	115	-	-	705	115
Investment Income	9,220	15,708	2,429	11,519	11,649	27,227
Other	80,783	91,721	11,520	8,225	92,303	99,946
<b>Total Revenues</b>	<b>1,750,868</b>	<b>1,739,618</b>	<b>999,675</b>	<b>984,914</b>	<b>2,750,543</b>	<b>2,724,532</b>
<b>Expenses:</b>						
General Government and Support	313,800	294,198	-	-	313,800	294,198
Public Safety-Police	429,849	409,374	-	-	429,849	409,374
Public Safety-Fire, Life Safety, Homeland Security	241,029	233,635	-	-	241,029	233,635
Parks, Recreation, Culture and Leisure	270,540	270,199	-	-	270,540	270,199
Transportation	202,376	224,187	-	-	202,376	224,187
Sanitation and Health	67,623	73,299	-	-	67,623	73,299
Neighborhood Services	89,354	219,499	-	-	89,354	219,499
Debt Service:						
Interest	37,942	58,838	-	-	37,942	58,838
Sewer Utility	-	-	322,431	311,367	322,431	311,367
Water Utility	-	-	420,809	382,314	420,809	382,314
Airports	-	-	4,759	3,614	4,759	3,614
Development Services	-	-	46,024	43,842	46,024	43,842
Environmental Services	-	-	32,205	36,357	32,205	36,357
Golf Course	-	-	15,689	15,217	15,689	15,217
Recycling	-	-	18,895	18,105	18,895	18,105
<b>Total Expenses</b>	<b>1,652,513</b>	<b>1,783,229</b>	<b>860,812</b>	<b>810,816</b>	<b>2,513,325</b>	<b>2,594,045</b>
<b>Change in Net Position Before Transfers and</b>						
Extraordinary Gain (Loss):	98,355	(43,611)	138,863	174,098	237,218	130,487
Transfers	20,012	16,739	(20,012)	(16,739)	-	-
Extraordinary Gain (Loss)	(28,070)	195,473	(1,866)	1,866	(29,936)	197,339
<b>Net Change in Net Position</b>	<b>90,297</b>	<b>168,601</b>	<b>116,985</b>	<b>159,225</b>	<b>207,282</b>	<b>327,826</b>
<b>Net Position - July 1, as Restated</b>	<b>4,538,004</b>	<b>4,369,403</b>	<b>3,996,025</b>	<b>3,836,800</b>	<b>8,534,029</b>	<b>8,206,203</b>
<b>Net Position - June 30</b>	<b>\$ 4,628,301</b>	<b>\$ 4,538,004</b>	<b>\$ 4,113,010</b>	<b>\$ 3,996,025</b>	<b>\$ 8,741,311</b>	<b>\$ 8,534,029</b>

**GOVERNMENTAL ACTIVITIES**

Governmental activities increased the City's net position by \$90,297 during fiscal year 2013. Variances from fiscal year 2012 of more than 10% are discussed below.

- Operating Grants and Contributions increased by \$20,579, or approximately 33%, primarily due to the payment from the Successor Agency to the Petco Park Fund for debt service, which was classified as an interfund transfer prior to dissolution of the former San Diego Redevelopment Agency (former RDA) but reported as program revenue in fiscal year 2013. In addition, there was an increase of approximately \$4,700 in the City's share of tobacco settlement revenue from the Master Settlement Agreement.
- Capital Grants and Contributions increased by \$105,423, or approximately 225%, primarily due to substantial developer contributed assets received during fiscal year 2013, combined with several land donations and a private donation for construction of the New Main Library of approximately \$30,800.
- Property Taxes decreased by \$87,044, or approximately 17%, primarily due to a decrease in tax increment revenue as a result of the dissolution of the former RDA on January 31, 2012.
- Investment Income decreased by \$6,488, or approximately 41%, primarily due to the continued low interest rate environment.
- Other Revenue decreased by \$10,938, or approximately 12%. This was mainly attributed to a onetime reimbursement of eligible project costs from the Successor Agency to the Centre City Development Impact Fee Fund in fiscal year 2012. Also during fiscal year 2012, the City had two significant property sales of the World Trade Center and the Crabtree building, compared to fiscal year 2013 in which there was only one significant sale related to a property located at 8110 Balboa Avenue.
- Transportation expense decreased by \$21,811, or approximately 10%, primarily due to the reclassification of Gas Tax related expenditures to Transfers to Other Funds. In addition, there was a large decrease in slurry seal expenses related to Proposition 42 for traffic congestion relief.
- Neighborhood Services expense decreased by \$130,145, or approximately 59%. This variance was attributed in part to the elimination of the former RDA from the statement of activities in the current fiscal year. The prior year reflected activity of the former RDA through the date of dissolution. Also contributing to the variance were payments made to the Successor Agency Private-Purpose Trust Fund from the Redevelopment Cooperation Agreement Fund during fiscal year 2012 to pay for former RDA obligations.
- Interest on Long-Term Debt decreased by \$20,896, or approximately 36%, primarily due to the transfer of the former RDA liabilities to the Successor Agency.
- Governmental Activities recognized an extraordinary loss of \$28,070 in the fiscal year 2013, mainly from establishing an allowance for potentially uncollectible interfund loans from the Successor Agency, payable to various governmental funds. These losses were offset by transfers of assets and liabilities from the Successor Agency Private-Purpose Trust Fund to the Low-Moderate Income Housing Fund (see Note 23).

**BUSINESS-TYPE ACTIVITIES**

Business-type activities increased the City's net position by \$116,985 during fiscal year 2013. Variances from fiscal year 2012 of more than 10% are discussed below.

- Operating Grants and Contributions decreased by \$1,178, or approximately 40%, primarily due to the reclassification of recycling revenues from operating grants in the prior year to charges for services in the current fiscal year.
- Capital Grants and Contributions increased by \$16,684, or approximately 22%, primarily due to a large donation of assets from the San Diego County Water Authority related to the Lake Hodges Pumped Storage project and increases in revenue from capacity charges for Sewer and Water Utilities. These increases were partially offset by a reduction in Proposition 50 state grant revenues.
- Investment Income decreased by \$9,090, or approximately 79%, primarily due to the continued low interest rate environment.
- Other revenue increased by \$3,295, or approximately 40%, primarily due to insurance and litigation recoveries during fiscal year 2013.
- Water Utility expense increased by \$38,495, or approximately 10%, primarily due to rate increases by the City's wholesalers for water purchases.
- Airports expense increased by \$1,145, or approximately 32%, primarily due to the Montgomery Field Access Control project costs and higher contractual expenses for paving.
- Environmental Services expense decreased by \$4,152, or approximately 11%, primarily due to fewer capital asset write-offs during fiscal year 2013 compared to fiscal year 2012.

**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 2013, the City's governmental funds reported combined ending fund balances of \$1,270,131, an increase of \$24,738 from fiscal year 2012. Approximately \$89,743 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is not available for new spending because it has been primarily restricted or committed (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 \$222,498, a decrease of \$56,052 from fiscal year 2012. This decrease is primarily due to the transfer out of redevelopment and housing related assets and liabilities to the Successor Agency Private-Purpose Trust Fund and the Low-Moderate Income Housing Fund.

## PROPRIETARY FUNDS

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

As of the end of fiscal year 2013, Unrestricted Net Position of the Sewer Utility Fund was \$338,076, a decrease of \$41,038, or approximately 11% from fiscal year 2012. The Unrestricted Net Position of the Water Utility Fund was \$294,947, a decrease of \$80,064, or approximately 21% from fiscal year 2012. Both decreases were primarily caused by the use of Unrestricted Net Position to fund additions to distribution and collection systems infrastructure.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The final budget for expenditures and transfers out was \$28,249 higher than the original budget due to increases (decreases) in appropriations primarily attributed to the following:

- \$9,118 for General Government and Support. This increase was primarily due to the transfer of funds for the future purchase of the Police Department Computer Aided Dispatch (CAD) system.
- \$8,057 for Public Safety-Police. This increase was due in part to an increase in helicopter maintenance, fuel, and other related air support expenditures, which were originally budgeted in the Seized Assets Fund. In addition, the budget increase also covered fleet costs, litigation settlement costs and other various non-personnel expenditures.
- \$6,666 for Public Safety-Fire and Life Safety and Homeland Security. This increase was primarily due to increased vehicle maintenance, personnel, and information technology expenditures.
- (\$4,282) for Transportation. This decrease was primarily due to savings in personnel expenditures as a result of department-wide vacancies. Lower costs for unleaded fuel and energy-efficiency upgrades also accounted for a portion of the decrease.
- \$5,133 for Neighborhood Services. This increase was primarily due to appropriations for Civic San Diego administrative services.

Actual revenues received in the General Fund were \$8,042 less than budgeted. Property Tax revenues were over budget by \$14,063 primarily due to additional revenue received as a result of the dissolution for the former RDA as well as a onetime refund from the County of San Diego (County) of property tax administrative fees. Transient Occupancy Tax revenues were over budget by \$2,193 primarily due to an improvement in tourism industry. Revenue from Use of Money and Property was over budget by \$4,288 primarily due to an increase in lease revenues. Revenue from Other Agencies was over budget by \$6,735 primarily due to a onetime payment received from the San Diego Service Authority for Freeway Emergencies (SAFE) funds. Sales Taxes and Other Local Taxes were under budget by \$3,319 and \$3,347, respectively. Charges for Current Services revenue was under budget by \$11,271, partially due to the fact that Fire & Life Safety departments provided fewer reimbursable services than anticipated, and also due to lower than anticipated services provided by the General Fund to other funds.

Actual expenditures for the General Fund were \$12,228 under budget. General Government and Support had appropriation savings of \$8,482 due to lower than anticipated expenditures for legal services and a temporary hiring freeze, which was implemented following the voter approval of Proposition B pension reform.



**CAPITAL ASSET AND DEBT ADMINISTRATION**

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
	Land and Rights of Way	\$ 1,729,238	\$ 1,745,362	\$ 97,036	\$ 95,455	\$ 1,826,274
Easements	656	290	667	428	1,323	718
Construction in Progress	389,928	316,236	191,265	223,009	581,193	539,245
Structures and Improvements	667,773	737,495	1,181,453	1,216,154	1,849,226	1,953,649
Equipment	140,776	149,027	147,443	161,680	288,219	310,707
Intangible Equipment	23,546	30,495	15,939	20,522	39,485	51,017
Distribution and Collection Systems	-	-	3,573,381	3,352,713	3,573,381	3,352,713
Infrastructure	1,544,312	1,475,590	-	-	1,544,312	1,475,590
Totals	<u>\$ 4,496,229</u>	<u>\$ 4,454,495</u>	<u>\$ 5,207,184</u>	<u>\$ 5,069,961</u>	<u>\$ 9,703,413</u>	<u>\$ 9,524,456</u>

**CAPITAL ASSETS**

In accordance with GASB Statement Nos. 34 and 51, all major assets such as streets, signals, bridges, drains distribution and collection systems for water and sewer and intangible assets are capitalized by the City in the government-wide statements. While capital assets of both governmental and proprietary funds are capitalized at the government-wide level, only 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 are 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, 2013 was \$9,703,413 (net of accumulated depreciation/amortization). There was an overall increase in the City's investment in capital assets over fiscal year 2012 of approximately \$178,957. Readers interested in more detailed information on capital asset activity should refer to Note 4, Capital Assets.

**HIGHLIGHTS OF FISCAL YEAR 2013 CAPITAL IMPROVEMENT ACTIVITIES**Governmental Activities

- The New Main Library opened on September 30, 2013. This project provides 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 City's fiscal year 2013 capital expenditures for this project were \$57,631. The project was funded by multiple sources including grant funds, private donations and former RDA funds.
- The asphalt overlay of approximately 75 miles of roads Citywide, and the installation of over 1,000 new curb ramps was completed during fiscal year 2013. These projects will result in improved surface street conditions and reduce our level of

transportation related deferred capital costs. Funded by the Deferred Capital Bonds, Gas Tax, and a State Grant, the City's fiscal year 2013 expenditures for these projects were \$30,267.

- Construction was completed on the La Jolla Village Drive/I-805 interchange project during fiscal year 2013. The project provides for a reconfiguration of the freeway interchanges as well as widening the road and overpass structures. New bike lanes are also included as part of the improvements. Now that the project is complete, traffic circulation and safety in the University City community area is expected to be significantly improved. The project was funded by the North City Facilities Benefit Assessment (FBA). The City's fiscal year 2013 capital expenditures for this project were \$3,025.
- Work continues on Phase One of the Clairemont Mesa/SR-163 interchange improvement project. Once complete, the project will result in a wider bridge and realigned ramps to and from the interchange. The ramps will also be reconfigured to eliminate the existing loop on-ramps. High-occupancy vehicle/bus bypass lanes will be incorporated on the on-ramps as well. The City's primary contribution to the project was made in fiscal year 2012, but additional expenditures were incurred during fiscal year 2013, which totaled \$258.
- The design process was completed and the construction phase began during fiscal year 2013 for the Genesee Avenue Widening project. Once complete, this project will widen Genesee Avenue to six lanes and will increase the height of the Genesee overcrossing at Interstate 5, in addition to other improvements. The City's fiscal year 2013 capital expenditures for this project were \$4,149.
- The design and construction of the Del Sol Boulevard improvement project was completed in fiscal year 2013. This project provided for the construction of 1,000 feet of new road along the frontage of the proposed community park, elementary and middle school site. The project has now entered a two year landscape maintenance and plant establishment period. Project expenditures for fiscal year 2013 were \$4,332.
- New fire alarm and sprinkler systems, as well as an emergency generator were installed in the City Administration Building during fiscal year 2013. This project included the partial removal of asbestos, as well as the installation of new sprinklers throughout the office building. Fiscal year 2013 expenditures totaled \$2,885.
- Construction was completed during fiscal year 2013 on the Museum of Man roof replacement project. The project restores the integrity of the museum, stops roof leakages, fixes the museum ornamentation, restores the historic carports, and minimizes building maintenance. The City's fiscal year 2013 capital expenditures for this project were \$312.

#### Business-Type Activities

During fiscal year 2013, the Water Utility Fund added approximately \$41,550 in capital improvement projects (CIP). The following major projects continued during fiscal year 2013: Water Group 3012; Water Group Job 914; Water Group Job 799; Harbor Drive Pipelines Replacement; Main Replacement; and water main replacements. Capital asset write-offs for fiscal year 2013 were approximately \$1,110 and were primarily related to losses on abandoned projects and retirements of distribution and collection system assets.

During fiscal year 2013, the Sewer Utility Fund added approximately \$56,760 in CIP, of which the Metropolitan system CIP increased approximately \$21,220, and the Municipal system CIP increased approximately \$35,540. The following major projects continued during fiscal year 2013: Point Loma Grit Processing Improvements; Harbor Drive Trunk Sewer; Balboa Terrace Trunk Sewer; Point Loma Sedimentation Basin; and the continued replacement of sewer mains and upgrades to the sewer infrastructure. Capital asset write-offs for fiscal year 2013 were approximately \$1,720 and were primarily related to losses on abandoned projects and retirements of distribution and collection system assets.

**HIGHLIGHTS OF THE APPROVED FISCAL YEAR 2014 CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET**

The Annual Adopted Capital Improvements Budget for Fiscal Year 2014 is \$179,400. The largest funding allocation is for Water and Sewer projects, which makes up 66% of the total CIP budget. The second largest allocation is for Transportation and Storm Water related projects, representing 22% of the total adopted CIP 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 and Storm Water: \$38,874. In fiscal year 2014 approximately 80 miles of roads will be resurfaced; 16 storm water pipeline replacement projects are scheduled to be completed; and there are plans to underground 15 miles of overhead utility lines. Additional efforts will focus on various traffic calming, signal modification, and pedestrian/biking improvements.
- Parks and Recreation: \$18,235. Planned project types for fiscal year 2014 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.
- Public Works – General Services: \$1,227. Projects during fiscal year 2014 will focus primarily on ADA improvements throughout the City. HVAC upgrades at Casa del Prado, the Municipal Gymnasium, and Spanish Village are also scheduled to be completed during the fiscal year.
- Library: \$1,135. Key projects in fiscal year 2014 include initiating the design of the Skyline Hill Branch Library, as well as initial funding for the future Mission Hills – Hillcrest Branch Library, and the San Ysidro Branch Library project.

Business-Type Activities

- The fiscal year 2014 Public Utilities CIP budget is \$161,604. Significant projects include: \$38,000 for water main replacements; \$18,000 for pipeline rehabilitation; \$9,331 for the Harbor Drive Pipelines Relocation; \$8,400 for Point Loma Grit Processing Improvements; \$5,264 for the upgrade of Pump Station 84; \$6,919 for Metro Treatment Plants; and \$4,500 for Montezuma Trunk Sewer.

**CONSTRUCTION COMMITMENTS**

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

General Fund	\$ 32
Other Governmental Funds	54,793
Sewer Utility	65,672
Water Utility	51,690
Other Enterprise Funds	2,697
Other Internal Service Funds	16
Total Contractual Commitments	<u>\$ 174,900</u>

## LONG-TERM DEBT

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Capital Lease Obligations	\$ 65,369	\$ 69,638	\$ -	\$ -	\$ 65,369	\$ 69,638
QECCB Lease Obligations	11,637	12,392	-	-	11,637	12,392
Contracts Payable	7,454	17,421	-	-	7,454	17,421
Loans Payable	21,638	30,011	145,330	125,406	166,968	155,417
Section 108 Loans Payable	5,630	8,737	-	-	5,630	8,737
Revenue Bonds/COP's/ Lease Revenue Bonds	533,235	481,630	1,850,645	1,919,920	2,383,880	2,401,550
Tobacco Settlement Asset-Backed Bonds	81,635	86,195	-	-	81,635	86,195
Totals	\$ 726,598	\$ 706,024	\$ 1,995,975	\$ 2,045,326	\$ 2,722,573	\$ 2,751,350

At the end of fiscal year 2013, the City, including blended component units, had total debt outstanding of approximately \$2,722,573. This amount represents revenue bonds, lease revenue bonds, certificates of participation (COPs), tobacco settlement asset-backed bonds, contracts payable, loans payable, Section 108 loans, State Revolving Fund (SRF) loans, Taxable Qualified Energy Conservation Bonds (QECCBs) and capital lease obligations.

Governmental Activities

- The PFFA issued \$72,000 of lease revenue bonds, series 2012A (Capital Improvement Projects) and \$18,745 of lease revenue refunding bonds, series 2012B (Fire and Life Safety Facilities Refunding). The series 2012B fully refunded the outstanding Fire and Life Safety Lease Revenue Bonds, Series 2002B. The Series 2012A and 2012B bonds are special, limited obligations of the PFFA secured solely by the base rental payments paid by the City for the use and occupancy of the leased property and certain funds held under the indenture.
- Total principal payments or reductions of long-term debt were \$92,740. \$43,700 of this amount was for outstanding bonds, including \$20,545 of bonds refunded or redeemed in advance of the scheduled maturity date and \$23,155 of scheduled bond principal payments. Also included were \$11,480 for loans payable, \$19,014 for contracts payable and \$18,546 for qualified energy conservation bonds and capital leases obligations.

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 California State Water Resources Control Board for \$8,342 to assist in financing the Point Loma Grit Processing Improvement Project.
- The City received a State Revolving Fund Loan disbursement from the California State Water Resources Control Board for \$13,022 to assist in financing Segments M-1, N-1, O-1 and P-1 of the Sewer Pipeline Replacement Project.

- The City received a State Revolving Fund Loan disbursement from the California State Water Resources Control Board for \$2,858 to assist in financing Segment Q-1 of the Sewer Pipeline Replacement Project.
- The City received a State Revolving Fund Loan disbursement from the State of California Department of Public Health totaling \$1,482 to assist in financing the Harbor Drive Pipeline Replacement Project, which will enable the City to continue to meet safe drinking water standards.
- The City received a State Revolving Fund Loan disbursement from the State of California Department of Public Health totaling \$2,206 to assist in financing the Lindbergh Field Pipeline Replacement Project, which will enable the City to continue to meet safe drinking water standards.
- Total principal payments for long-term debt were \$77,261. Of this amount, \$69,275 was for scheduled bond principal payments and \$7,986 for 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 City's Implied General Obligation (GO) / Issuer Credit Ratings and credit ratings on outstanding Lease Revenue Bonds and Revenue Bonds are as follows:

	<b>Fitch Ratings</b>	<b>Moody's Investors Service</b>	<b>Standard &amp; Poor's</b>
Implied GO / Issuer Credit Rating Outlook	AA- Stable	Aa3 Stable	AA- Stable
Lease Revenue Bonds Outlook	A+ Stable	A2 Stable	A+ Stable
Wastewater System Bonds Outlook	AA Stable	Aa3 Stable	AA- Stable
Water System Bonds (Senior/Subordinate) Outlook	AA/AA- Stable	Aa2/Aa3 Stable	AA-/Not Rated 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 does not have an outstanding general obligation balance as of June 30, 2013; however, the current debt limitations for water and other purposes are \$5,986,206 and \$3,990,804, 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.

## OTHER INFORMATION

### Deferred Maintenance and Capital Expenditures on Depreciable Assets

The City owns and maintains depreciable assets, including but not limited to infrastructure, streets, bridges, parks, public facilities, and airports. Due to tight financial constraints, the City has deferred maintenance and capital expenditures on many of these assets resulting in deteriorated structures, including parts of the City's infrastructure. An estimate from fiscal year 2011 calculates capital expenditures on buildings, streets and storm drains to be approximately \$898,000. However, this estimate is likely higher since it is based on an outdated and partial condition assessment of the City's buildings/facilities and because it excludes certain asset classes. The City intends to further evaluate deferred maintenance and capital expenditure needs through condition assessment studies in future years. Sidewalk and park condition assessments are anticipated to be substantially complete by the end of calendar year 2014; facilities condition assessments are expected to continue through fiscal year 2019; and a condition assessment of the City's streets is anticipated to be conducted in fiscal year 2015.

On March 20, 2012, the City Council approved a deferred capital funding plan, known as Enhanced Option B, which provides for bond funding totaling \$419,300 over a five-year period from fiscal years 2013 through 2017, and increasing annual cash funding for maintenance and repair and capital expenditures from \$50,000 in fiscal year 2014 to \$79,000 by fiscal year 2017. On July 3, 2012, the PFFA issued \$72,000 of lease revenue bonds, series 2012A and on July 11, 2013, PFFA issued \$43,245 of Lease Revenue and Lease Revenue Refunding Bonds, Series 2013A. These bond proceeds are funding deferred capital projects and certain new capital projects.

### California Regional Water Quality Board Administrative Proceeding – Municipal Storm Water Permit

On May 8, 2013, the Regional Water Quality Control Board (RWQCB), the State agency charged with implementing the federal Clean Water Act, incorporated Total Maximum Daily Loads (TMDLs) into the City's Municipal Storm Water Permit in order to limit pollution in the San Diego region watersheds (Order No. R9-2013-0001). By incorporating the TMDLs into the Municipal Storm Water Permit, the RWQCB made numeric measurements of pollutants a basis for enforcing violations of the Municipal Permit. Additionally, the permit also requires that the City implement a schedule of operation and maintenance activities and verify proper operation of all related municipal structures. The City Storm Water Division's estimated costs to comply with the TMDLs are significantly more than current storm water expenditure levels. The City estimates that operating and capital compliance costs from fiscal years 2014 through 2018 are approximately \$710,000. For fiscal years 2019 through 2031, compliance costs are estimated to be up to approximately \$3,250,000. These estimates could be higher or lower depending on numerous factors including but not limited to changes in regulatory standards, science and technology (see Note 17).

### Mayoral Election

On August 30, 2013, Mayor Bob Filner resigned from Office. Pursuant to the City Charter, Council President Todd Gloria immediately assumed limited authority over mayoral staff and City operations until a new mayor is elected. The City scheduled a special election on November 19, 2013 but no candidate won outright. Preliminary results indicate that Councilmember Kevin Faulkner and Councilmember David Alvarez will compete in a run-off election to be scheduled in February, 2014.

## 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 POSITION**  
**June 30, 2013**  
**(Dollars 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 .....	\$ 1,073,105	\$ 880,345	\$ 1,953,450	\$ 8,213	\$ 114,392
Receivables:					
Taxes - Net of Allowance for Uncollectibles .....	88,194	-	88,194	-	-
Accounts - Net of Allowance for Uncollectibles .....	96,197	123,722	219,919	4,650	8,973
Claims .....	222	260	482	-	-
Special Assessments .....	435	-	435	-	-
Notes .....	234,422	-	234,422	-	244,398
Loans .....	69,669	-	69,669	-	-
Accrued Interest .....	1,255	1,815	3,070	-	30,788
Grants .....	35,171	895	36,066	-	-
Advances to Other Agencies .....	14,103	-	14,103	-	-
Internal Balances .....	6,530	(6,530)	-	-	-
Inventories of Water in Storage .....	-	52,454	52,454	-	-
Inventories .....	2,396	804	3,200	-	-
Land Held for Resale .....	32,212	-	32,212	-	-
Prepaid Expenses .....	238	-	238	603	915
Restricted Cash and Investments .....	133,626	224,048	357,674	-	3,601
Deferred Charges .....	7,673	10,528	18,201	-	1,908
Capital Assets - Non-Depreciable .....	2,119,822	288,968	2,408,790	18,114	64,890
Capital Assets - Depreciable .....	2,376,407	4,918,216	7,294,623	11,556	100,906
<b>TOTAL ASSETS</b> .....	<u>6,291,677</u>	<u>6,495,525</u>	<u>12,787,202</u>	<u>43,136</u>	<u>570,771</u>

**STATEMENT OF NET POSITION**  
**June 30, 2013**  
(Dollars 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 .....	\$ 93,134	\$ 85,542	\$ 178,676	\$ 686	\$ 3,724
Accrued Wages and Benefits .....	46,146	10,205	56,351	-	1,399
Other Accrued Liabilities .....	436	-	436	2,434	712
Interest Accrued on Long-Term Debt .....	9,367	23,624	32,991	-	608
Long-Term Liabilities Due Within One Year .....	126,075	94,540	220,615	1,201	3,399
Due to Other Agencies .....	1,434	29,243	30,677	-	-
Unearned Revenue .....	31,590	20,649	52,239	8,168	1,848
Contract Deposits .....	590	7,412	8,002	-	-
Sundry Trust Liabilities .....	104	-	104	-	-
Liabilities Payable from Restricted Assets:					
Customer Deposits Payable .....	-	14,875	14,875	-	-
Deposits/Advances from Others .....	-	5,013	5,013	-	1,277
Long-Term Liabilities Due After One Year:					
Arbitrage Liability .....	-	60	60	-	-
Compensated Absences .....	41,972	7,017	48,989	174	-
Liability Claims .....	318,812	7,959	326,771	-	-
Capital Lease Obligations .....	49,180	-	49,180	-	-
QECB Lease Obligations .....	10,864	-	10,864	-	-
Contracts Payable .....	7,454	-	7,454	-	-
Notes Payable .....	-	-	-	15,646	113,750
Loans Payable .....	12,939	137,179	150,118	-	-
Section 108 Loans Payable .....	5,204	-	5,204	-	-
Net Bonds Payable .....	603,722	1,839,387	2,443,109	-	-
Estimated Landfill Closure and Postclosure Care .....	-	22,565	22,565	-	-
Net Other Postemployment Benefit Obligation .....	188,428	54,169	242,597	-	-
Net Pension Obligation .....	115,925	23,076	139,001	-	-
<b>TOTAL LIABILITIES</b> .....	<b>1,663,376</b>	<b>2,382,515</b>	<b>4,045,891</b>	<b>28,309</b>	<b>126,717</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets .....	3,963,306	3,378,535	7,341,841	15,536	55,291
Restricted for:					
Capital Projects .....	456,874	-	456,874	-	-
Debt Service .....	-	7,893	7,893	-	-
Low-Moderate Income Housing .....	251,655	-	251,655	-	-
Nonexpendable Permanent Endowments .....	19,689	-	19,689	-	-
Grants .....	75,462	-	75,462	-	-
Other .....	202,705	24,822	227,527	-	151,444
Unrestricted .....	(341,390)	701,760	360,370	(709)	237,319
<b>TOTAL NET POSITION</b> .....	<b>\$ 4,628,301</b>	<b>\$ 4,113,010</b>	<b>\$ 8,741,311</b>	<b>\$ 14,827</b>	<b>\$ 444,054</b>

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

**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2013**  
**(Dollars 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 .....	\$ 313,800	\$ 191,256	\$ 17,202	\$ 11,840
Public Safety - Police .....	429,849	44,723	8,032	238
Public Safety - Fire and Life Safety and Homeland Security .....	241,029	22,539	24,073	-
Parks, Recreation, Culture and Leisure .....	270,540	72,297	13,068	64,468
Transportation .....	202,376	28,759	271	69,055
Sanitation and Health .....	67,623	13,790	571	785
Neighborhood Services .....	89,354	35,792	19,543	5,807
Debt Service - Interest .....	37,942	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES .....</b>	<b>1,652,513</b>	<b>409,156</b>	<b>82,760</b>	<b>152,193</b>
<b>Business-Type Activities:</b>				
Sewer Utility .....	322,431	361,637	9	23,228
Water Utility .....	420,809	414,508	1,356	64,893
Airports .....	4,759	4,906	13	3,757
Development Services .....	46,024	50,006	-	-
Environmental Services .....	32,205	24,607	-	-
Golf Course .....	15,689	18,367	-	-
Recycling .....	18,895	18,056	383	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES .....</b>	<b>860,812</b>	<b>892,087</b>	<b>1,761</b>	<b>91,878</b>
<b>TOTAL PRIMARY GOVERNMENT .....</b>	<b>\$ 2,513,325</b>	<b>\$ 1,301,243</b>	<b>\$ 84,521</b>	<b>\$ 244,071</b>
<b>Component Units:</b>				
San Diego Convention Center Corporation .....	\$ 31,513	\$ 26,719	\$ 3,405	\$ 571
San Diego Housing Commission .....	207,208	31,650	188,241	-
<b>TOTAL COMPONENT UNITS .....</b>	<b>\$ 238,721</b>	<b>\$ 58,369</b>	<b>\$ 191,646</b>	<b>\$ 571</b>
<b>General Revenues:</b>				
Property Taxes .....				
Transient Occupancy Taxes .....				
Sales Taxes - Shared State Revenue .....				
Other Local Taxes .....				
Developer Contributions and Fees .....				
Grants and Contributions not Restricted to Specific Programs .....				
Investment Income .....				
Gain on Sale of Capital Assets .....				
Miscellaneous .....				
Transfers, Net .....				
<b>TOTAL GENERAL REVENUES AND TRANSFERS .....</b>				
Extraordinary Loss .....				
<b>CHANGE IN NET POSITION .....</b>				
Net Position at Beginning of Year, as Restated .....				
<b>NET POSITION AT END OF YEAR .....</b>				

Net Revenue/(Expense) and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
\$ (93,502)	\$ -	\$ (93,502)	\$ -	\$ -
(376,856)	-	(376,856)	-	-
(194,417)	-	(194,417)	-	-
(120,707)	-	(120,707)	-	-
(104,291)	-	(104,291)	-	-
(52,477)	-	(52,477)	-	-
(28,212)	-	(28,212)	-	-
(37,942)	-	(37,942)	-	-
<u>(1,008,404)</u>	<u>-</u>	<u>(1,008,404)</u>	<u>-</u>	<u>-</u>
-	62,443	62,443	-	-
-	59,948	59,948	-	-
-	3,917	3,917	-	-
-	3,982	3,982	-	-
-	(7,598)	(7,598)	-	-
-	2,678	2,678	-	-
-	(456)	(456)	-	-
-	<u>124,914</u>	<u>124,914</u>	<u>-</u>	<u>-</u>
<u>(1,008,404)</u>	<u>124,914</u>	<u>(883,490)</u>	<u>-</u>	<u>-</u>
-	-	-	(818)	-
-	-	-	-	12,683
-	-	-	<u>(818)</u>	<u>12,683</u>
421,894	-	421,894	-	-
158,105	-	158,105	-	-
269,504	-	269,504	-	-
166,548	-	166,548	-	-
66,312	-	66,312	-	-
705	-	705	-	-
9,220	2,429	11,649	8	8,638
-	-	-	-	38
14,471	11,520	25,991	683	-
20,012	(20,012)	-	-	-
<u>1,126,771</u>	<u>(6,063)</u>	<u>1,120,708</u>	<u>691</u>	<u>8,676</u>
<u>(28,070)</u>	<u>(1,866)</u>	<u>(29,936)</u>	<u>-</u>	<u>-</u>
90,297	116,985	207,282	(127)	21,359
<u>4,538,004</u>	<u>3,996,025</u>	<u>8,534,029</u>	<u>14,954</u>	<u>422,695</u>
<u>\$ 4,628,301</u>	<u>\$ 4,113,010</u>	<u>\$ 8,741,311</u>	<u>\$ 14,827</u>	<u>\$ 444,054</u>

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

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2013  
(Dollars in Thousands)**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Investments .....	\$ 242,330	\$ 614,416	\$ 856,746
Receivables:			
Taxes - Net of Allowance for Uncollectibles .....	66,132	22,062	88,194
Accounts - Net of Allowance for Uncollectibles .....	10,676	82,273	92,949
Claims .....	214	8	222
Special Assessments .....	-	435	435
Notes .....	-	234,422	234,422
Loans .....	-	69,669	69,669
Accrued Interest .....	593	656	1,249
Grants .....	-	34,091	34,091
Advances to Other Funds .....	1,693	5,725	7,418
Advances to Other Agencies .....	1,083	13,020	14,103
Land Held for Resale .....	-	32,212	32,212
Prepaid Items .....	-	22	22
Restricted Cash and Investments .....	-	133,626	133,626
<b>TOTAL ASSETS</b> .....	<u>\$ 322,721</u>	<u>\$ 1,242,637</u>	<u>\$ 1,565,358</u>
<b>LIABILITIES</b>			
Accounts Payable .....	\$ 36,622	\$ 51,662	\$ 88,284
Accrued Wages and Benefits .....	43,564	577	44,141
Other Accrued Liabilities .....	-	436	436
Due to Other Agencies .....	1,025	360	1,385
Unearned Revenue .....	-	31,590	31,590
Deferred Revenue .....	18,673	102,736	121,409
Sundry Trust Liabilities .....	-	104	104
Advances from Other Funds .....	-	7,418	7,418
Contract Deposits .....	339	121	460
<b>TOTAL LIABILITIES</b> .....	<u>100,223</u>	<u>195,004</u>	<u>295,227</u>

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2013  
(Dollars in Thousands)**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>			
Nonspendable.....	-	115,806	115,806
Restricted.....	60,507	866,750	927,257
Committed.....	40,953	87,655	128,608
Assigned.....	8,717	-	8,717
Unassigned.....	112,321	(22,578)	89,743
 <b>TOTAL FUND BALANCES</b> .....	 222,498	 1,047,633	 1,270,131
 <b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	 <u>\$ 322,721</u>	 <u>\$ 1,242,637</u>	

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	4,375,821
Other assets and liabilities used in governmental activities are not financial resources (uses), and therefore, are either deferred or not reported in the funds.	129,082
Internal service funds are used by management to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, Self Insurance and Data Processing to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.	38,741
Certain liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(1,185,474)
Net Position of governmental activities (page 47)	\$ 4,628,301

**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, 2013  
(Dollars in Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes .....	\$ 412,204	\$ 10,413	\$ 422,617
Special Assessments .....	-	50,510	50,510
Sales Taxes .....	240,922	29,007	269,929
Transient Occupancy Taxes .....	83,904	75,590	159,494
Other Local Taxes .....	74,691	91,857	166,548
Licenses and Permits .....	32,772	18,890	51,662
Fines, Forfeitures and Penalties .....	29,656	1,605	31,261
Revenue from Use of Money and Property .....	56,263	24,731	80,994
Revenue from Federal Agencies .....	1,341	58,522	59,863
Revenue from Other Agencies .....	7,645	50,125	57,770
Revenue from Private Sources .....	84	71,196	71,280
Charges for Current Services .....	155,389	34,162	189,551
Other Revenue .....	8,686	12,143	20,829
<b>TOTAL REVENUES .....</b>	<b>1,103,557</b>	<b>528,751</b>	<b>1,632,308</b>
<b>EXPENDITURES</b>			
Current:			
General Government and Support .....	247,644	17,845	265,489
Public Safety - Police .....	398,224	8,375	406,599
Public Safety - Fire and Life Safety and Homeland Security .....	201,109	27,019	228,128
Parks, Recreation, Culture and Leisure .....	119,226	106,185	225,411
Transportation .....	58,813	61,781	120,594
Sanitation and Health .....	63,270	2,699	65,969
Neighborhood Services .....	40,601	40,958	81,559
Capital Outlay .....	1,351	157,109	158,460
Debt Service:			
Principal Retirement .....	11,688	34,635	46,323
Cost of Issuance .....	-	814	814
Interest .....	4,905	32,494	37,399
Refunding Escrow .....	-	1,572	1,572
<b>TOTAL EXPENDITURES .....</b>	<b>1,146,831</b>	<b>491,486</b>	<b>1,638,317</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES .....</b>	<b>(43,274)</b>	<b>37,265</b>	<b>(6,009)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Proprietary Funds .....	20,127	3,137	23,264
Transfers from Other Funds .....	85,228	194,507	279,735
Transfers to Proprietary Funds .....	(13,013)	(2,174)	(15,187)
Transfers to Other Funds .....	(61,665)	(218,070)	(279,735)
Transfers to Escrow Agent .....	-	(18,973)	(18,973)
Proceeds from the Sale of Capital Assets .....	-	4,653	4,653
Capital Leases .....	2,824	-	2,824
Revenue Bonds Issued .....	-	90,745	90,745
Premium on Bonds Issued .....	-	4,063	4,063
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>33,501</b>	<b>57,888</b>	<b>91,389</b>
Extraordinary Loss .....	(46,279)	(14,363)	(60,642)
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>(56,052)</b>	<b>80,790</b>	<b>24,738</b>
Fund Balances at Beginning of Year .....	278,550	966,843	1,245,393
<b>FUND BALANCES AT END OF YEAR .....</b>	<b>\$ 222,498</b>	<b>\$ 1,047,633</b>	<b>\$ 1,270,131</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, 2013  
(Dollars in Thousands)**

Net Change in Fund Balances of governmental funds (page 52)	\$ 24,738
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.	142,747
The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to decrease net position.	(14,937)
Deferred revenue available to liquidate liabilities of the current period was recognized as revenue in the governmental funds during the year; however, such amounts were recognized as revenue in the Statement of Activities in the prior year.	14,821
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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(16,734)
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.	(44,303)
Internal service funds are used to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, Self Insurance and Data Processing to individual funds. The net expense of certain internal service activities is reported with governmental activities.	<u>(16,035)</u>
Change in Net Position of Governmental Activities (page 49)	<u>\$ 90,297</u>

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

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
June 30, 2013  
(Dollars in Thousands)**

	<u>Business-Type Activities - Enterprise Funds</u>				Internal Service Funds
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	
<b>ASSETS</b>					
Current Assets:					
Cash and Investments .....	\$ 419,705	\$ 331,420	\$ 129,220	\$ 880,345	\$ 216,359
Receivables:					
Accounts - Net of Allowance for Uncollectibles .....	52,698	67,858	3,166	123,722	3,248
Claims .....	35	225	-	260	-
Accrued Interest .....	926	673	216	1,815	6
Grants .....	-	352	543	895	1,080
Inventories of Water in Storage .....	-	52,454	-	52,454	-
Inventories .....	-	804	-	804	2,396
Prepaid Expenses .....	-	-	-	-	216
Total Current Assets .....	<u>473,364</u>	<u>453,786</u>	<u>133,145</u>	<u>1,060,295</u>	<u>223,305</u>
Non-Current Assets:					
Restricted Cash and Investments .....	88,448	79,263	56,337	224,048	-
Deferred Charges .....	5,564	4,964	-	10,528	-
Capital Assets - Non-Depreciable .....	146,155	126,381	16,432	288,968	8,468
Capital Assets - Depreciable .....	<u>2,871,666</u>	<u>1,986,759</u>	<u>59,791</u>	<u>4,918,216</u>	<u>111,940</u>
Total Non-Current Assets .....	<u>3,111,833</u>	<u>2,197,367</u>	<u>132,560</u>	<u>5,441,760</u>	<u>120,408</u>
<b>TOTAL ASSETS</b> .....	<u>3,585,197</u>	<u>2,651,153</u>	<u>265,705</u>	<u>6,502,055</u>	<u>343,713</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable .....	28,767	51,744	5,031	85,542	4,850
Accrued Wages and Benefits .....	3,955	3,135	3,115	10,205	2,005
Interest Accrued on Long-Term Debt .....	7,074	16,550	-	23,624	207
Long-Term Debt Due Within One Year .....	59,920	32,765	1,855	94,540	47,817
Due to Other Agencies .....	27,269	1,974	-	29,243	49
Unearned Revenue .....	1,128	2,681	16,840	20,649	-
Contract Deposits .....	3,047	4,365	-	7,412	130
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable .....	-	5,874	9,001	14,875	-
Total Current Liabilities .....	<u>131,160</u>	<u>119,088</u>	<u>35,842</u>	<u>286,090</u>	<u>55,058</u>
Non-Current Liabilities:					
Deposits/Advances from Others .....	397	-	4,616	5,013	-
Arbitrage Liability .....	-	60	-	60	-
Compensated Absences .....	2,587	2,373	2,057	7,017	3,761
Liability Claims .....	4,330	3,629	-	7,959	215,774
Capital Lease Obligations .....	-	-	-	-	25,577
Loans Payable .....	74,493	62,686	-	137,179	-
Net Revenue Bonds Payable .....	1,053,367	786,020	-	1,839,387	-
Estimated Landfill Closure and Postclosure Care .....	-	-	22,565	22,565	-
Net Other Postemployment Benefit Obligation .....	19,424	18,579	16,166	54,169	9,117
Net Pension Obligation .....	<u>8,521</u>	<u>6,408</u>	<u>8,147</u>	<u>23,076</u>	<u>2,215</u>
Total Non-Current Liabilities .....	<u>1,163,119</u>	<u>879,755</u>	<u>53,551</u>	<u>2,096,425</u>	<u>256,444</u>
<b>TOTAL LIABILITIES</b> .....	<u>1,294,279</u>	<u>998,843</u>	<u>89,393</u>	<u>2,382,515</u>	<u>311,502</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets .....	1,947,615	1,354,697	76,223	3,378,535	88,250
Restricted for Debt Service .....	5,227	2,666	-	7,893	-
Restricted for Closure/Postclosure Maintenance .....	-	-	24,822	24,822	-
Unrestricted .....	<u>338,076</u>	<u>294,947</u>	<u>75,267</u>	<u>708,290</u>	<u>(56,039)</u>
<b>TOTAL NET POSITION</b> .....	<u>\$ 2,290,918</u>	<u>\$ 1,652,310</u>	<u>\$ 176,312</u>	<u>4,119,540</u>	<u>\$ 32,211</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				(6,530)	
Net position of business-type activities (page 47)				<u>\$ 4,113,010</u>	

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

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2013**  
**(Dollars in Thousands)**

	<b>Business-Type Activities - Enterprise Funds</b>				
	<b>Sewer Utility</b>	<b>Water Utility</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>OPERATING REVENUES</b>					
Sales of Water .....	\$ -	\$ 400,448	\$ -	\$ 400,448	\$ -
Charges for Services .....	357,216	5,743	71,266	434,225	106,749
Revenue from Use of Property .....	270	5,864	-	6,134	-
Usage Fees .....	-	35	40,835	40,870	68,891
Other .....	4,151	2,418	3,841	10,410	1,008
<b>TOTAL OPERATING REVENUES</b> .....	<b>361,637</b>	<b>414,508</b>	<b>115,942</b>	<b>892,087</b>	<b>176,648</b>
<b>OPERATING EXPENSES</b>					
Benefit and Claim Payments .....	-	-	-	-	101,718
Maintenance and Operations .....	121,990	79,188	85,449	286,627	53,711
Cost of Materials Issued .....	-	-	-	-	7,145
Cost of Purchased Water Used .....	-	205,704	-	205,704	-
Taxes .....	-	1,797	-	1,797	-
Administration .....	73,647	47,553	24,926	146,126	27,289
Depreciation .....	68,452	48,334	5,708	122,494	24,280
<b>TOTAL OPERATING EXPENSES</b> .....	<b>264,089</b>	<b>382,576</b>	<b>116,083</b>	<b>762,748</b>	<b>214,143</b>
<b>OPERATING INCOME (LOSS)</b> .....	<b>97,548</b>	<b>31,932</b>	<b>(141)</b>	<b>129,339</b>	<b>(37,495)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Earnings on Investments .....	647	1,231	551	2,429	1,007
Federal Grant Assistance .....	9	1,095	11	1,115	3,150
Other Agency Grant Assistance .....	-	261	385	646	632
Loss on Sale/Retirement of Capital Assets .....	(1,647)	(106)	(233)	(1,986)	(1,137)
Debt Service Interest Expense .....	(53,580)	(37,280)	-	(90,860)	(635)
Other .....	8,260	570	2,690	11,520	554
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET</b> .....	<b>(46,311)</b>	<b>(34,229)</b>	<b>3,404</b>	<b>(77,136)</b>	<b>3,571</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> .....	<b>51,237</b>	<b>(2,297)</b>	<b>3,263</b>	<b>52,203</b>	<b>(33,924)</b>
Capital Contributions .....	23,228	64,893	3,757	91,878	3,257
Transfers from Other Funds .....	92	51	607	750	2,862
Transfers from Governmental Funds .....	275	1,234	1	1,510	13,677
Transfers to Other Funds .....	(1,346)	(579)	(1,403)	(3,328)	(284)
Transfers to Governmental Funds .....	(8,232)	(8,168)	(2,544)	(18,944)	(4,320)
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b> .....	<b>14,017</b>	<b>57,431</b>	<b>418</b>	<b>71,866</b>	<b>15,192</b>
Extraordinary Loss .....	(1,180)	(686)	-	(1,866)	-
<b>CHANGE IN NET POSITION</b> .....	<b>64,074</b>	<b>54,448</b>	<b>3,681</b>	<b>122,203</b>	<b>(18,732)</b>
Net Position at Beginning of Year .....	2,226,844	1,597,862	172,631		50,943
<b>NET POSITION AT END OF YEAR</b> .....	<b>\$ 2,290,918</b>	<b>\$ 1,652,310</b>	<b>\$ 176,312</b>		<b>\$ 32,211</b>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds .....				(5,218)	
Change in net position of business-type activities (page 49) .....				<u>\$ 116,985</u>	

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

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2013  
(Dollars 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>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers and Users .....	\$ 359,368	\$ 404,899	\$ 114,952	\$ 879,219	\$ 92,180
Receipts from Interfund Services Provided .....	3,988	5,794	3,863	13,645	86,001
Payments to Suppliers .....	(98,317)	(253,881)	(39,977)	(392,175)	(98,231)
Payments to Employees .....	(80,228)	(68,665)	(61,729)	(210,622)	(49,556)
Payments for Interfund Services Used .....	(6,273)	(5,939)	(6,135)	(18,347)	(1,847)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<b>178,538</b>	<b>82,208</b>	<b>10,974</b>	<b>271,720</b>	<b>28,547</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from Other Funds .....	92	51	607	750	2,862
Transfers from Governmental Funds .....	275	1,234	1	1,510	13,677
Transfers to Other Funds .....	(1,346)	(579)	(1,403)	(3,328)	(284)
Transfers to Governmental Funds .....	(8,232)	(8,168)	(2,544)	(18,944)	(4,320)
Operating Grants Received.....	53	1,208	396	1,657	2,702
Proceeds from Advances and Deposits .....	-	452	1,706	2,158	-
Payments for Advances and Deposits .....	-	-	(497)	(497)	-
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>(9,158)</b>	<b>(5,802)</b>	<b>(1,734)</b>	<b>(16,694)</b>	<b>14,637</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from Loans .....	24,222	3,688	-	27,910	-
Proceeds from Capital Contributions .....	14,291	13,776	3,249	31,316	335
Acquisition of Capital Assets .....	(115,749)	(77,232)	(7,378)	(200,359)	(10,068)
Proceeds from the Sale of Capital Assets .....	72	1,008	-	1,080	1,682
Principal Payments on Capital Leases .....	-	-	-	-	(6,858)
Principal Payments on Loans.....	(5,004)	(2,982)	-	(7,986)	-
Principal Payments on Revenue Bonds.....	(46,120)	(23,155)	-	(69,275)	-
Interest Paid on Long-Term Debt.....	(57,422)	(38,073)	-	(95,495)	(573)
<b>NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(185,710)</b>	<b>(122,970)</b>	<b>(4,129)</b>	<b>(312,809)</b>	<b>(15,482)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sales of Investments .....	106,418	175,585	-	282,003	-
Purchases of Investments .....	(102,695)	(160,203)	-	(262,898)	-
Interest Received on Investments .....	2,961	2,337	552	5,850	1,005
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES .....</b>	<b>6,684</b>	<b>17,719</b>	<b>552</b>	<b>24,955</b>	<b>1,005</b>
Net Increase (Decrease) in Cash and Cash Equivalents .....	(9,646)	(28,845)	5,663	(32,828)	28,707
Cash and Cash Equivalents at Beginning of Year .....	432,872	367,528	179,894	980,294	187,652
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b>\$ 423,226</b>	<b>\$ 338,683</b>	<b>\$ 185,557</b>	<b>\$ 947,466</b>	<b>\$ 216,359</b>
<b>Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Position:</b>					
Cash and Investments .....	\$ 419,705	\$ 331,420	\$ 129,220	\$ 880,345	\$ 216,359
Restricted Cash and Investments .....	88,448	79,263	56,337	224,048	-
Less Investments Not Meeting the Definition of Cash Equivalents .....	(84,927)	(72,000)	-	(156,927)	-
<b>Total Cash and Cash Equivalents at End of Year .....</b>	<b>\$ 423,226</b>	<b>\$ 338,683</b>	<b>\$ 185,557</b>	<b>\$ 947,466</b>	<b>\$ 216,359</b>

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2013  
(Dollars in Thousands)**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Internal Service Funds</u>
	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>					
<b>Provided by Operating Activities:</b>					
Operating Income (Loss) .....	\$ 97,548	\$ 31,932	\$ (141)	\$ 129,339	\$ (37,495)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:					
Depreciation .....	68,452	48,334	5,708	122,494	24,280
Other Nonoperating Revenue .....	8,260	570	2,690	11,520	554
(Increase) Decrease in Assets:					
Accounts Receivable - Net .....	(5,999)	(5,279)	856	(10,422)	1,500
Claims Receivable - Net .....	-	(3)	-	(3)	-
Inventories .....	-	(610)	-	(610)	57
Prepaid Expenses .....	-	-	-	-	610
Increase (Decrease) in Liabilities:					
Accounts Payable .....	4,552	12,228	1,836	18,616	(1,768)
Accrued Wages and Benefits .....	(9,337)	(6,681)	153	(15,865)	(212)
Due to Other Funds .....	-	-	-	-	(1,600)
Due to Other Agencies .....	16,219	185	-	16,404	49
Unearned Revenue .....	175	897	(670)	402	(518)
Contract Deposits .....	(718)	-	(3)	(721)	-
Arbitrage Liability .....	-	26	-	26	-
Compensated Absences .....	(31)	255	(1)	223	(764)
Liability Claims .....	(252)	635	-	383	43,983
Estimated Landfill Closure and Postclosure Care.....	-	-	822	822	-
Net OPEB Obligation .....	(248)	(210)	(206)	(664)	(81)
Net Pension Obligation .....	(83)	(71)	(70)	(224)	(48)
Total Adjustments .....	<u>80,990</u>	<u>50,276</u>	<u>11,115</u>	<u>142,381</u>	<u>66,042</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<b><u>\$ 178,538</u></b>	<b><u>\$ 82,208</u></b>	<b><u>\$ 10,974</u></b>	<b><u>\$ 271,720</u></b>	<b><u>\$ 28,547</u></b>
<b>Noncash Investing, Capital, and Financing Activities:</b>					
Capital Leases.....	\$ -	\$ -	\$ -	\$ -	\$ 10,698
Developer Contributed Assets .....	8,937	51,117	-	60,054	125
Capital Asset Acquisitions Related to Accounts Payable .....	(203)	14	190	1	-
Noncash Retirement of Capital Assets .....	(1,719)	(1,114)	(233)	(3,066)	(2,431)
Capitalized Interest and Related Amounts .....	1,618	752	-	2,370	-
Amortization of Bond Premiums, Discounts, Refundings, and Issuance Costs .....	1,925	1,545	-	3,470	-
Change in Fair Value of Investments.....	2,210	988	-	3,198	-
Interest Fund Credits for Debt Service Payments.....	(5,309)	(2,554)	-	(7,863)	-
Transfers of Capital Assets .....	-	-	-	-	2,521

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

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2013**  
**(Dollars in Thousands)**

	Trust Funds			Agency
	Pension	Investment	Private-Purpose	
<b>ASSETS</b>				
Cash and Investments .....	\$ 3,046	\$ 7,927	\$ 340,496	\$ 12,633
Cash with Custodian/Fiscal Agent .....	235,310	-	-	-
Investments at Fair Value:				
Domestic Fixed Income Securities (Bonds) .....	1,552,205	-	30,097	-
International Fixed Income Securities (Bonds) .....	166,714	-	-	-
Domestic Equity Securities (Stocks) .....	1,839,561	-	-	-
International Equity Securities (Stocks) .....	1,052,717	-	-	-
Global Equity .....	301,122	-	-	-
Real Estate Equity and Real Estate Securities .....	572,682	-	-	-
Equity Mutual Funds .....	440,118	-	-	-
Fixed Income Mutual Funds .....	404,982	-	-	-
Private Equity .....	258,176	-	-	-
Infrastructure .....	37,100	-	-	-
Receivables:				
Accounts - Net .....	-	-	-	404
Special Assessments .....	-	-	-	413
Contributions .....	8,274	-	-	-
Accrued Interest .....	8,327	9	575	5
Notes and Contracts .....	-	-	9,166	-
Loans .....	36,015	-	-	-
Securities Sold .....	197,593	-	-	-
Advances to Other Agencies .....	-	-	36	-
Land Held for Resale .....	-	-	9,260	-
Prepaid Expenses .....	410	-	-	-
Securities Lending Collateral .....	190,851	-	-	-
Restricted Cash and Investments .....	-	-	88,757	37,658
Deferred Charges .....	-	-	8,749	-
Capital Assets - Non-Depreciable .....	-	-	105,947	-
Capital Assets - Depreciable .....	4,620	-	57,384	-
<b>TOTAL ASSETS</b> .....	<u>7,309,823</u>	<u>7,936</u>	<u>650,467</u>	<u>51,113</u>
<b>LIABILITIES</b>				
Accounts Payable .....	5,949	-	170,776	2,979
Accrued Wages and Benefits .....	823	-	-	-
Interest Accrued on Long-Term Debt .....	-	-	204,920	-
Deposits/Advances from Others .....	-	-	-	154
Sundry Trust/Agency Liabilities .....	-	-	2,816	19,278
Due to Bondholders .....	-	-	625,674	28,702
Arbitrage Liability .....	-	-	3	-
Liability Claims .....	-	-	70,398	-
Notes Payable .....	-	-	8,300	-
Loans Payable .....	-	-	105,324	-
Supplemental Benefits Payable .....	16,462	-	-	-
DROP Liability .....	490,931	-	-	-
Net Other Postemployment Benefit Obligation .....	1,484	-	-	-
Net Pension Obligation .....	620	-	-	-
Securities Lending Obligations .....	191,363	-	-	-
Securities Purchased .....	398,148	-	-	-
<b>TOTAL LIABILITIES</b> .....	<u>1,105,780</u>	<u>-</u>	<u>1,188,211</u>	<u>51,113</u>
<b>NET POSITION (DEFICIT)</b>				
Held in Trust for Pension Benefits and Other Purposes .....	<u>\$ 6,204,043</u>	<u>\$ 7,936</u>	<u>\$ (537,744)</u>	<u>\$ -</u>

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

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**Year Ended June 30, 2013**  
**(Dollars in Thousands)**

	Trust Funds			Total
	Pension	Investment	Private-Purpose	
<b>ADDITIONS</b>				
Employer Contributions .....	\$ 306,618	\$ -	\$ -	\$ 306,618
Employee Contributions .....	109,274	-	-	109,274
Retiree Contributions .....	7,010	-	-	7,010
Contributions to Pooled Investments .....	-	1,807	-	1,807
Property Taxes .....	-	-	88,346	88,346
Earnings on Investments:				
Investment Income .....	818,801	(8)	2,495	821,288
Investment Expense .....	(25,915)	-	-	(25,915)
Net Investment Income .....	792,886	(8)	2,495	795,373
Securities Lending Income:				
Gross Earnings .....	1,912	-	-	1,912
Borrower Rebates .....	(632)	-	-	(632)
Net Securities Lending Income .....	1,280	-	-	1,280
Other Income .....	1,959	-	8,957	10,916
<b>TOTAL ADDITIONS</b> .....	<u>1,219,027</u>	<u>1,799</u>	<u>99,798</u>	<u>1,320,624</u>
<b>DEDUCTIONS</b>				
Enforceable Obligation Payments .....	-	-	51,123	51,123
Payments to County of San Diego .....	-	-	170,043	170,043
Interest on Long-Term Debt .....	-	-	37,317	37,317
DRIP Interest Expense .....	26,044	-	-	26,044
Benefit and Claim Payments .....	493,552	-	-	493,552
Distributions from Pooled Investments .....	-	909	-	909
Administration .....	13,622	-	6,070	19,692
<b>TOTAL DEDUCTIONS</b> .....	<u>533,218</u>	<u>909</u>	<u>264,553</u>	<u>798,680</u>
Extraordinary Loss .....	-	-	(181,124)	(181,124)
<b>CHANGE IN NET POSITION</b> .....	685,809	890	(345,879)	340,820
Net Position (Deficit) at Beginning of Year.....	5,518,234	7,046	(191,865)	5,333,415
<b>NET POSITION (DEFICIT) AT END OF YEAR</b> .....	<u>\$ 6,204,043</u>	<u>\$ 7,936</u>	<u>\$ (537,744)</u>	<u>\$ 5,674,235</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2013**

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

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

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

a. Financial Reporting Entity

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

Blended component units are those component units that, despite being legally separate entities, are so intertwined with the primary government that they are, in substance, the same as the primary government. These component units are reported as funds of the primary government. Discretely presented component units are reported in the government-wide financial statements in a column separate from the primary government. The City also reports fiduciary component units which are not included in the government-wide financial statements. Fiduciary component units are not part of the primary government and are reported as fiduciary funds to report assets held in a trustee or agency capacity for others that cannot be used to support the government's own programs.

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

- Civic San Diego (CSD)
- City of San Diego/Metropolitan Transit Development Board Authority (City/MTDB Authority)
- Convention Center Expansion Financing Authority (CCEFA)
- Public Facilities Financing Authority (PFFA)
- San Diego Data Processing Corporation (SDDPC)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)

A brief description of each blended component unit follows:

- Civic San Diego (CSD) (formerly Centre City Development Corporation, Inc.) is a not-for-profit public benefit corporation established in 1975 with the original purpose to administer certain redevelopment projects in downtown San Diego. On June 25, 2012, the City, as the designated Successor Agency to the former Redevelopment Agency of the City of San Diego (Successor Agency), and the sole member of the Corporation, amended both the Centre City Development Corporation's and Southeastern Economic Development Corporation's (SEDC) Articles of Incorporation and Bylaws, restructuring and reorganizing the two entities into a single corporation named Civic San Diego. SEDC was presented as a blended component unit of the City in fiscal year 2012. For fiscal year 2013, SEDC's fiscal year 2012 ending fund balance is included as part of CSD's fiscal year 2013 beginning fund balance. Upon dissolution of the former San Diego Redevelopment Agency (former



RDA), Civic San Diego's main function is to provide administrative and advisory services to the City as the Successor Agency. The City Council elects the Board of Directors. CSD's budget and governing board are approved by the City of San Diego and services are provided exclusively to the primary government. CSD is reported as a governmental fund. Financial statements are available at [www.civicsd.com](http://www.civicsd.com).

- The City of San Diego/Metropolitan Transit Development Board Authority (City/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. 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 City/MTDB Authority. The City/MTDB Authority primarily provides services to the primary government. The City/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. The current working title of the City Manager is the Chief Operating Officer. 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 former RDA to acquire and construct public capital improvements. As of June 30, 2013, the members are the City, the Successor Agency and the Housing Authority of the City of San Diego. PFFA is governed by a board of commissioners composed of the members of the City Council. PFFA provides services exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.
- 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 a majority of the governing board is approved by the City Council. SDDPC provides services almost exclusively to the primary government. On August 5, 2013, a resolution was passed by the City Council to take the necessary steps to wind-up and dissolve the Corporation. 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.
- The Tobacco Settlement Revenue Funding Corporation (TSRFC) is a nonprofit 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 is appointed by the Mayor or the remaining directors. TSRFC is reported as a governmental fund.

There are two fiduciary component units:

- San Diego City Employees' Retirement System (SDCERS) was established in 1927 by the City and administers retirement, postemployment 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, fiduciary component unit of the City. It is managed by a 13 member Board of Administration, eight of which are appointed by the City, and a Pension Administrator who does not report to, or work under the direction of the elected officials or appointed managers of the City. As such, the City does not maintain direct operational oversight of SDCERS or its financial reports. SDCERS provides services almost exclusively to the primary government. SDCERS is reported as a pension trust fund. Complete stand-alone financial statements are available at [www.sdcers.org](http://www.sdcers.org).
- The Successor Agency of the Redevelopment Agency of the City of San Diego (Successor Agency) is a legally separate entity from the City reported as a fiduciary component unit of the City. It established to hold the former RDA's assets until they are distributed to other units of state and local government or, where appropriate, to private parties and to administer the payments of the former RDA's obligations. Pursuant to ABX1 26, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. On January 12, 2012, the City was designated to serve as the Successor Agency subject to control of an oversight board. The Successor Agency is reported as a private-purpose trust fund in the fiduciary funds financial statements.

There 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. 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 nine members of the San Diego City Council. The Housing Authority has final authority over the SDHC's budget and major policy changes. SDHC has seven blended component units, which are Belden SDHC FNMA LLC, Central SDHC FNMA LLC, Northern SDHC FNMA LLC, Central SDHC FHA LLC, Northern SDHC FHA LLC, Southern SDHC FHA LLC and Mercado SDHC LLC, together and collectively referred to as the "LLCs". The LLCs were created as a requirement of the Federal National Mortgage Association (FNMA) 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 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. In addition,

SDHC has one discretely presented component unit, Housing Development Partners of San Diego (HDP), which has assets, liabilities and net position of \$18,048, \$16,092 and \$1,956, respectively, as of June 30, 2013. The City determined that the assets, liabilities and current year activity of HDP do not represent a material component of the City's basic financial statements, and therefore, are not included in the City's basic financial statements. 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 position 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.

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

**Governmental funds financial statements** are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Revenues which are considered susceptible to accrual include: real and personal property taxes; sales taxes; transient occupancy 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. General capital asset acquisitions are reported as expenditures in governmental funds.

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

Permanent funds, commonly referred to as endowment funds, are governmental funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs. The City has received endowments for various programs, a list of which can be found in the Supplementary Information section of this report, under permanent funds. 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 Position. 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 trust, investment trust, private-purpose trust and agency funds. Trust funds are reported using the same measurement focus and basis of accounting as proprietary funds. Agency funds are reported using the accrual basis of accounting and only report assets and liabilities, and therefore, do not have a measurement focus.

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

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

The following are the City's major enterprise funds:

**Sewer Utility Fund** - The Sewer Utility Fund is used to account for the operation, maintenance and development of the City's sewer system. The City's sewer utility fund includes activities related to the performance of services for Participating Agencies.

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

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

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 Authority (AVA) is the only legally separate entity which has cash invested in the City Treasurer's investment pool.

Private-Purpose Trust Fund (Successor Agency) - This fund was established to account for the ongoing obligations of the former RDA, which was dissolved on February 1, 2012 pursuant to California Assembly Bill X1 26.

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

d. Property Taxes

The County of San Diego (County) assesses, bills, and collects property taxes on behalf of numerous special districts and incorporated cities, including the City of San Diego. The City'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, based on the assessed values of the lien date, 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 (1) on a flat 1% rate applied to the 1975-76 full value of the property or (2) 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, which is analyzed each year against the most recent data from the County. For fiscal year 2013, the allowance amount was \$723.

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 an original maturity date greater than ninety days from the time of purchase.

The City's cash resources are combined to form a cash and investment pool managed by the City Treasurer (the pool). The City is not required to register the pool 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, 2013, approximately \$1,230 of 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 contains additional information on permissible investments per the City Treasurer's Investment Policy and other policies applicable to the cash and investments reported herein.



The discharge of fiduciary duties by SDCERS' Board is governed by Section 144 of the City Charter and Article XVI, Section 17 of the California State Constitution. 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 Position. SDCERS' custodian, State Street Bank & Trust Company, provides the fair values of exchange traded assets. Through its agents, SDCERS' also holds investments in non-publicly traded institutional investment funds. These institutional investment funds are comprised of exchange traded securities, the fair values of which are provided by the respective custodians. Directly-owned real estate assets are stated at appraised values as determined by SDCERS' real estate managers and third party appraisal firms. Private equity and infrastructure assets are valued by their respective investment managers giving consideration to the financial condition and operating results of the portfolio companies, and other factors deemed relevant. These fair values are reviewed by SDCERS' Private Equity and Infrastructure Consultants.

f. Receivables

The City's receivables are comprised mainly of taxes, accounts and grants. Accounts receivable and taxes receivable are reported net of an allowance for uncollectible amounts. Additionally, the City has assessed the collectability of certain interfund loan receivables due from the Successor Agency to various funds (see Note 23). The allowance amounts as of June 30, 2013 are as follows:

Fund	Accounts Receivable Allowance	Taxes Receivable Allowance	Interfund Loan Allowance
General Fund	\$ 9,384	\$ 715	\$ 22,762
Nonmajor Governmental Funds	27,804	8	188,761
Sewer Utility	842	-	1,180
Water Utility	1,525	-	686
Nonmajor Enterprise Funds	3,820	-	-
Internal Service Funds	1,858	-	-
<b>Total</b>	<b>\$ 45,233</b>	<b>\$ 723</b>	<b>\$ 213,389</b>

g. 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.

h. Land Held for Resale

Land Held for Resale is reported in the government-wide and fund financial statements at the lower of cost or net realizable value. In the governmental funds financial statements, fund balances associated with properties held for resale are reported as restricted fund balances when proceeds from the sale of such properties is restricted for the purpose of affordable housing as codified in the California Health and Safety Code. Land is originally recorded

at historical cost and adjusted to net realizable value when a property is impaired, when determination is made that a property will be sold for less than its cost, or when property values decrease due to market conditions.

i. Deferred 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.

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 and fiduciary 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 and fiduciary 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 structures and improvements, equipment outlay, distribution and collection systems and infrastructure, must meet or exceed a capitalization threshold of five thousand dollars. Land is 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 is reflected in the capitalized value of the asset constructed. During fiscal year 2013, \$2,370 of net interest expense incurred was capitalized. There was no related interest revenue to net against capitalized interest expense.

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 - 50
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 position.

**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 nonoperating revenues and expenses.

m. Long-Term Liabilities

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

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

The liability for compensated absences reported in the government-wide and proprietary funds financial statements consists of unpaid, accumulated vacation 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). The short-term portion is calculated based on leave taken in the prior year, as a percentage of total outstanding balances. A liability for these amounts is

reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

o. Claims and Judgments

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

p. Non-Monetary Transactions

The City, as part of approving new development in the community planning process, requires that certain public facilities be constructed per the provisions of community financing plans. 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.

q. Net Position

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

- Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by outstanding debt attributed to the acquisition, construction or improvement of these assets.
- Restricted Net Position consists of restricted assets reduced by liabilities related to those assets. It is the City's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position components are available. As of June 30, 2013, the amount of restricted net position due to enabling legislation was approximately \$166,558.
- Unrestricted Net Position consists of net position that does not meet the definition of Net Investment in Capital Assets or Restricted Net Position.

r. 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 by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year. In addition, City management can assign fund balance to be used for specific purposes.

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

s. 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 (1) the General Reserve Fund (or Emergency Reserve), which is reported as restricted fund balance in the Balance Sheet, and (2) the General Fund unassigned fund balance, part of which may be appropriated to fund the following year's expenditures. 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 2013.

t. Participating Agencies Revenue Recognition

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

u. Estimates

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

v. New Governmental Accounting Standards Implemented During Year Ended June 30, 2013

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2013.

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCAs)*, which establishes recognition, measurement and disclosure requirements for SCAs for both transferors and governmental operators. This statement also requires governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. The City currently does not have any Service Concession Arrangements as defined by GASB Statement No. 60.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus: An Amendment of GASB Statements No. 14 and No. 34*, which is designed to enhance the relevance of the financial reporting entity by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. There were no additional component units or changes to the classification of previously identified component units as a result of implementing GASB Statement No. 61.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This statement did not impact the City's basic financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is intended to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The statement requires that deferred outflows of resources and deferred inflows of resources be presented separately in the statement of financial position and in the governmental funds balance sheet. The statement also amends previous net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The GASB limits the recognition of deferred outflows of resources and deferred inflows of resources to those instances identified by the GASB in authoritative pronouncements. For the current period, only two statements identifying such instances are in effect, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The City does not invest in derivative instruments nor has it entered into any service concession arrangements as defined by GASB Statement No. 60. The City renamed net assets as net position in the current year's financial statements.

w. Upcoming Governmental Accounting Standards Implementation

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

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement will become effective in fiscal year 2014.

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012: An Amendment of GASB Statements No. 10 and No. 62*, which is intended to resolve conflicting accounting and financial reporting

guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This statement will become effective in fiscal year 2014.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans: An Amendment of GASB Statement No. 25*, which is intended to enhance note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This statement will become effective in fiscal year 2014.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions: An Amendment of GASB Statement No. 27*, which is intended to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability will also be enhanced through new note disclosures and required supplementary information. This statement will become effective in fiscal year 2015.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. It requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. This statement will become effective in fiscal year 2015.

In April 2013, GASB Issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which intends to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. It requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. It provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. In addition, it specifies the information required to be disclosed by governments that extend and receive nonexchange financial guarantees. This statement will become effective in fiscal year 2014.

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

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

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

The Governmental Funds Balance Sheet includes a reconciliation between "Total Fund Balances" and "Total Net Position" of Governmental Activities as reported in the Government-Wide Statement of Net Position. 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 \$129,082 difference are as follows:

Deferred Charges, July 1, 2012	\$ 7,867
Cost of Issuance	814
Amortization Expense	<u>(1,008)</u>
Deferred Charges, June 30, 2013	<u>7,673</u>
Deferred Revenue:	
Taxes Receivable	66,984
Special Assessments Receivable	940
Revenue from Use of Money and Property	4,708
Revenue from Other Agencies	22,087
Grants and Other Receivables	<u>26,690</u>
Deferred Revenue, June 30, 2013	<u>121,409</u>
Net Adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ 129,082</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 (\$1,185,474) difference are as follows:

Interest Accrued on Long-Term Debt	\$ (9,160)
Compensated Absences	(64,664)
Liability Claims	(110,540)
Capital Lease Obligations	(33,211)
QECCB Lease Obligation	(11,637)
Contracts Payable	(7,454)
Loans Payable	(21,638)
Section 108 Loans Payable	(5,630)
Net Bonds Payable/COPS	(628,519)
Net Other Postemployment Benefits Obligation	(179,311)
Net Pension Obligation	<u>(113,710)</u>
Net adjustment to decrease "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ (1,185,474)</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, Self Insurance and Data Processing to individual funds. The assets and liabilities of certain internal service funds are included in the governmental activities in the Statement of Net Position." The details of this \$38,741 difference are as follows:

Assets:	
Capital Assets - Non-Depreciable	\$ 8,468
Capital Assets - Depreciable	111,940
Internal Balances	6,530
Current Assets	223,305
Liabilities:	
Compensated Absences	(6,654)
Liability Claims	(254,117)
Capital Lease Obligations	(32,158)
Net Other Postemployment Benefits Obligation	(9,117)
Net Pension Obligation	(2,215)
Other Liabilities	<u>(7,241)</u>
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ 38,741</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 "Change in Net Position of Governmental Activities" as reported in the Government-Wide Statement of Activities. One element of that reconciliation explains: "Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$142,747 difference are as follows:

Capital Outlay	\$ 158,460
Transfers from Private-Purpose Trust Fund	44,540
Donated Capital Assets	63,802
Other Capital Activities	11,820
Depreciation/Amortization Expense	<u>(135,875)</u>
Net Adjustment to increase "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ 142,747</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 position." The details of this (\$14,937) 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 position differs from the change in fund balances by the net book value of the capital assets sold/retired.	\$ (7,505)
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>(7,432)</u>
Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ (14,937)</u>

Another element of the reconciliation states: "Internal service funds are used to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, Self Insurance and Data Processing to individual funds. The net expense of certain internal service activities is reported with governmental activities." The details of this (\$16,035) are as follows:

Allocated Operating Loss	\$ (32,277)
Nonoperating Revenues:	
Federal and Other Agency Grant Assistance	3,782
Other Nonoperating Revenues, net	926
Loss on Sale/Retirement of Capital Assets	(1,137)
Capital Contributions	736
Transfers, net	<u>11,935</u>
Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ (16,035)</u>



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 position." The details of this \$16,734 difference are as follows:

Debt Issued or Incurred:	
Capital Lease Obligations	\$ (2,824)
Contracts Payable	(9,047)
Lease Revenue Bonds	(90,745)
Principal Repayments:	
Capital Lease Obligations	10,933
QECCB Lease Obligations	755
Contracts Payable	19,014
Loans Payable	8,373
Section 108 Loans	3,107
Lease Revenue Bonds	18,595
Tobacco Settlement Asset-Backed Bonds	4,560
Refundings:	
Revenue Bonds	<u>20,545</u>
Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ (16,734)</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 \$44,303 difference are as follows:

Compensated Absences	\$ (1,090)
Liability Claims	(42,523)
Net Pension Obligation/Net OPEB Obligation	3,475
Interest Accrued on Long-Term Debt	(1,224)
Current Year Premiums/Discounts and Interest Accretion	
Less Amortization of Bond Premiums, Discounts, and Deferred Amounts on Refunding	(2,747)
Cost of Issuance Less Current Year Amortization	<u>(194)</u>
Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ (44,303)</u>

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

The following is a summary of the carrying amount of cash and investments as of June 30, 2013:

	Governmental Activities	Business-Type Activities	Fiduciary Statement of Net Position other than SDCERS	Subtotal	SDCERS Fiduciary Statement of Net Position	Grand Total
Cash or Equity in Pooled						
Cash and Investments	\$ 1,074,979	\$ 947,465	\$ 373,306	\$ 2,395,750	\$ 1,785	\$ 2,397,535
Cash and Investments with Custodian, Fiscal Agents, and Trustees	110,027	156,928	115,430	382,385	235,305	617,690
Investments at Fair Value	21,725	-	875,198	896,923	5,780,277	6,677,200
Securities Lending Collateral	-	-	-	-	190,851	190,851
<b>Total</b>	<b>\$ 1,206,731</b>	<b>\$ 1,104,393</b>	<b>\$ 1,363,934</b>	<b>\$ 3,675,058</b>	<b>\$ 6,208,218</b>	<b>\$ 9,883,276</b>

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

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 or Equity in Pooled Cash and Investments.

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

Cash on Hand - Petty Cash	\$ 202
Deposits - Held in Escrow Accounts	10,988
Deposits - Cash and Cash Equivalents (Not Pooled)	16,989
Deposits - Cash and Cash Equivalents (Pooled)	180,086
City Treasurer's Investment Pool	2,187,485
SDCERS Cash Deposits	1,785
<b>Total Cash or Equity in Pooled Cash and Investments</b>	<b>\$ 2,397,535</b>

A summary of the investments held by the City Treasurer's Investment Pool as of June 30, 2013 is presented in the table below:

Investment	Fair Value	Book Value	Interest Rate % Range	Maturity Range
U.S. Treasury Notes	\$ 1,028,720	\$ 1,028,951	0.125-0.75%	7/31/2013-6/15/2016
Agency Discount Notes	34,993	34,958	0.055-0.175 <sup>1</sup>	7/1/2013-11/20/2013
Agency Notes & Bonds	597,063	598,336	0.125-1.2%	7/17/2013-5/24/2018
Asset Backed Securities	85,897	85,974	0.31-0.79%	10/15/2014-8/15/2017
Commercial Paper	125,010	124,939	0.06-0.32%	7/1/2013-11/8/2013
Corporate Notes & Bonds	97,580	97,890	0.175-5.15%	10/25/2013-5/18/2018
Negotiable Certificates of Deposit	150,070	150,000	0.24-0.45%	7/5/2013-10/11/2013
Repurchase Agreements	18,500	18,500	0.10%	7/1/2013
State Local Agency Investment Fund (LAIF)	49,652	49,638	0.28% <sup>2</sup>	4/5/2014
<b>Total</b>	<b>\$ 2,187,485</b>	<b>\$ 2,189,186</b>		

<sup>1</sup> Discount Rates

<sup>2</sup> LAIF - Fair Value is adjusted to account for LAIF factor. Maturity range is based on weighted average maturity of 278 days.

The following represents a condensed statement of net position and changes in net position for the City Treasurer's cash and investment pool as of June 30, 2013:

#### Statement of Net Position

Deposits - Cash and Cash Equivalents (Pooled)	\$ 180,086
Investments of Pool Participants	2,187,485
Accrued Interest Receivable of Internal Pool Participants	2,702
Accrued Interest Receivable of External Pool Participants	9
Total Cash, Investments, and Interest Receivable	<u>\$ 2,370,282</u>
Net Position of Internal Pool Participants	\$ 2,362,346
Net Position of External Pool Participants (Abandoned Vehicle Abatement) <sup>1</sup>	<u>7,936</u>
Total Net Position	<u>\$ 2,370,282</u>

#### Statement of Changes in Net Position

Net Position Held for Pool Participants at July 1, 2012	\$ 2,419,987
Net Change in Investments by Pool Participants	<u>(49,705)</u>
Total Net Position Held for Pool Participants at June 30, 2013	<u>\$ 2,370,282</u>

<sup>1</sup> Voluntary Participation

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

Cash and Investments with Custodian, Fiscal Agents, and Trustees include cash and investments held by trustees resulting from bond issuances. These funds represent bond funds, including but not limited to debt service reserve funds, construction funds, costs of issuance funds, and liquid investments held by trustees as legally required by bond issuances. Under the fiduciary statement of net position, Cash with Custodian/Fiscal Agent includes 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 with Custodian/Fiscal Agent includes the 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 SDCERS, City's Supplemental Pension Savings Plan, 401(a) Plan, 401(k) Plan, investments managed by the City Treasurer (which are not part of the City Treasurer's Investment Pool) and investments managed by the Funds Commission (e.g., Cemetery Perpetuity Fund, Los Penasquitos Canyon 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 (Investment Policy), which is presented to City Council annually. This Investment Policy applies to all of the investment activities of the City except for the pension trust funds, the proceeds of certain debt issues (which are managed and invested at the direction of the City Treasurer in accordance with the applicable indenture or by Trustees appointed under indenture agreements or by fiscal agents), and the assets of permanent funds (which are placed in the custody of the Funds Commission by Council ordinance).

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

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

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

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

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

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

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

<sup>5</sup> Financial futures transactions would be purchased only to hedge against changes in market conditions for the reinvestment of bond proceeds.

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

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

<sup>8</sup> Minimum credit rating categories include modifications (+/-).

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

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

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

### *Other Investment Policies*

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

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

### **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. Interest rate risk for the City Treasurer's Investment Pool is intended to be mitigated by establishing two portfolios, a liquidity portfolio and a core portfolio. Target durations are based upon the expected short and long-term cash needs of the City. The liquidity portfolio is structured with an adequate mix of highly liquid securities and maturities to meet major cash outflow requirements for at least six months (per CGC 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 rolling three year period. 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, 2013, the City's investments (dollars in thousands) by maturity are as follows:

	Years				Fair Value (In Thousands)
	Under 1	1-3	3-5	Over 5	
City Treasurer's Investment Pool					
U.S. Treasury Notes	\$ 155,150	\$ 873,570	\$ -	\$ -	\$ 1,028,720
U.S. Agencies - Federal Farm Credit Bank	98,821	49,948	-	-	148,769
U.S. Agencies - Federal Home Loan Bank	159,959	49,684	9,744	-	219,387
U.S. Agencies - Federal Home Loan Mortgage Corporation	15,016	95,087	9,946	-	120,049
U.S. Agencies - Federal National Mortgage Association	-	59,813	54,063	-	113,876
Agencies - Intl Bank of Reconstruction & Development	19,975	-	-	-	19,975
Agencies - Inter-American Development Bank	10,000	-	-	-	10,000
Asset Backed Securities	-	75,924	9,973	-	85,897
Commercial Paper	125,010	-	-	-	125,010
Corporate Notes	58,126	24,958	14,496	-	97,580
Negotiable Certificates of Deposit	150,070	-	-	-	150,070
Repurchase Agreements	18,500	-	-	-	18,500
State Local Agency Investment Fund	49,652	-	-	-	49,652
	<u>860,279</u>	<u>1,228,984</u>	<u>98,222</u>	<u>-</u>	<u>2,187,485</u>
Non-Pooled Investments with City Treasurer					
U.S. Treasury Notes	7,610	-	-	-	7,610
U.S. Agencies - Federal Farm Credit Bank	2,505	-	-	-	2,505
U.S. Agencies - Federal Home Loan Bank	4,078	-	-	-	4,078
U.S. Agencies - Federal Home Loan Mortgage Corporation	4,595	-	-	-	4,595
U.S. Agencies - Federal National Mortgage Association	2,502	-	-	-	2,502
Commercial Paper	8,808	-	-	-	8,808
	<u>30,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,098</u>
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units					
U.S. Treasury Bonds and Notes	22,117	57,309	17,652	35,815	132,893
U.S. Agencies - Federal Home Loan Bank	17,381	-	7,411	8,728	33,520
U.S. Agencies - Federal Home Loan Mortgage Corporation	86	-	4,713	-	4,799
U.S. Agencies - Federal National Mortgage Association	18,291	8,992	23,511	-	50,794
Commercial Paper	42,077	-	-	-	42,077
Corporate Bonds and Notes	414	430	1,713	787	3,344
Exchange Traded Funds <sup>1</sup>	2,105	-	-	-	2,105
Government Mortgage Backed Securities	-	-	-	11	11
Guaranteed Investment Contracts	-	-	-	9,223	9,223
Money Market Mutual Funds	112,564	-	-	-	112,564
Mutual Funds - Equity <sup>1</sup>	445,825	-	-	-	445,825
Mutual Funds - Fixed Income	198	397,331	-	10,567	408,096
Stocks - Common Stock <sup>1</sup>	3,165	-	-	-	3,165
Stocks - Preferred Stock <sup>1</sup>	299	-	-	-	299
	<u>664,522</u>	<u>464,062</u>	<u>55,000</u>	<u>65,131</u>	<u>1,248,715</u>
Total Investments	<u>\$ 1,554,899</u>	<u>\$ 1,693,046</u>	<u>\$ 153,222</u>	<u>\$ 65,131</u>	<u>3,466,298</u>
Cash on Hand - Petty Cash					202
Deposits - Cash and Cash Equivalents (Not Pooled)					16,989
Deposits - Cash and Cash Equivalents (Pooled)					180,086
Deposits - Cash with Fiscal Agents/Trustees					495
Deposits - Held in Escrow Accounts					10,988
Total Investments, Cash on Hand, and Deposits					<u>\$ 3,675,058</u>

<sup>1</sup> Exchange traded funds, equity mutual funds, and stocks 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, 2013, the City's investments and corresponding credit ratings are as follows:

	Moody's	S&P	Fair Value	Percentage
<b>City Treasurer's Investment Pool</b>				
U.S. Treasury Notes	Exempt	Exempt	\$ 1,028,720	47.02%
U.S. Agencies - Federal Farm Credit Bank <sup>1</sup>	Aaa	Not Provided	123,776	5.66%
U.S. Agencies - Federal Farm Credit Bank <sup>1</sup>	P-1	Not Provided	24,993	1.14%
U.S. Agencies - Federal Home Loan Bank <sup>1</sup>	Aaa	Not Provided	219,387	10.03%
U.S. Agencies - Federal Home Loan Mortgage Corporation <sup>1</sup>	Aaa	Not Provided	120,049	5.49%
U.S. Agencies - Federal National Mortgage Association <sup>1</sup>	Aaa	Not Provided	113,876	5.21%
Agencies - Intl Bank of Reconstruction & Development	Aaa	Not Provided	19,975	0.91%
Agencies - Inter-American Development Bank	P-1	Not Provided	10,000	0.46%
Asset Backed Securities	Aaa	Not Rated	40,924	1.87%
Asset Backed Securities	Not Rated	AAA	44,973	2.06%
Commercial Paper	P-1	Not Provided	125,010	5.71%
Corporate Notes	Aaa	Not Provided	10,076	0.46%
Corporate Notes	Aa2	Not Provided	20,090	0.92%
Corporate Notes	Aa3	Not Provided	35,993	1.65%
Corporate Notes	A1	Not Provided	13,659	0.62%
Corporate Notes	A2	Not Provided	17,762	0.81%
Negotiable Certificates of Deposit	P-1	Not Provided	150,070	6.86%
Repurchase Agreements	Not Rated	Not Rated	18,500	0.85%
State Local Agency Investment Fund	Not Rated	Not Rated	49,652	2.27%
			<u>2,187,485</u>	<u>100.00%</u>
<b>Non-Pooled Investments with City Treasurer</b>				
U.S. Treasury Notes	Exempt	Exempt	7,610	25.28%
U.S. Agencies - Federal Farm Credit Bank <sup>1</sup>	Aaa	Not Provided	2,505	8.32%
U.S. Agencies - Federal Home Loan Bank <sup>1</sup>	Aaa	Not Provided	4,078	13.55%
U.S. Agencies - Federal Home Loan Mortgage Corporation <sup>1</sup>	P-1	Not Provided	4,595	15.27%
U.S. Agencies - Federal National Mortgage Association <sup>1</sup>	P-1	Not Provided	2,502	8.31%
Commercial Paper <sup>1</sup>	P-1	Not Provided	8,808	29.27%
			<u>30,098</u>	<u>100.00%</u>



	Moody's	S&P	Fair Value	Percentage
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units				
U.S. Treasury Bonds and Notes	Exempt	Exempt	\$ 132,893	10.64%
U.S. Agencies - Federal Home Loan Bank	Aaa	Not Provided	32,071	2.56%
U.S. Agencies - Federal Home Loan Bank	P-1	Not Provided	1,449	0.12%
U.S. Agencies - Federal Home Loan Mortgage Corporation	Aaa	Not Provided	4,713	0.37%
U.S. Agencies - Federal Home Loan Mortgage Corporation	P-1	Not Provided	86	0.01%
U.S. Agencies - Federal National Mortgage Association	Aaa	Not Provided	39,040	3.13%
U.S. Agencies - Federal National Mortgage Association	P-1	Not Provided	11,754	0.94%
Commercial Paper	P-1	Not Provided	42,077	3.37%
Corporate Bonds and Notes	Aa2	Not Provided	342	0.03%
Corporate Bonds and Notes	A1	Not Provided	916	0.07%
Corporate Bonds and Notes	A2	Not Provided	974	0.08%
Corporate Bonds and Notes	A3	Not Provided	724	0.06%
Corporate Bonds and Notes	Baa1	Not Provided	107	0.01%
Corporate Bonds and Notes	Baa2	Not Provided	281	0.02%
Exchange Traded Funds	Not Rated	Not Rated	2,105	0.17%
Government Mortgage Backed Securities	Not Rated	Not Rated	11	0.01%
Guaranteed Investment Contracts	Not Rated	Not Rated	9,223	0.74%
Money Market Mutual Funds	Aaa	Not Provided	112,564	9.01%
Mutual Funds - Equity	Not Rated	Not Rated	445,825	35.69%
Mutual Funds - Fixed Income	Not Rated	Not Rated	408,096	32.68%
Stocks - Common Stock	Not Rated	Not Rated	3,165	0.25%
Stocks - Preferred Stock	Not Rated	Not Rated	299	0.02%
			<u>1,248,715</u>	<u>100.00%</u>
Total Investments			<u>\$ 3,466,298</u>	

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

"Not Provided" - S&P rating not provided, Moody's rating disclosed.

<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.

### *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, 2013, 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, 2013, the carrying amount of the City's cash on hand and deposits was approximately \$197,772 and the bank balance was approximately \$228,005; the difference is substantially due to outstanding checks. For the balance of cash deposits in financial institutions, approximately \$1,029 was covered by federal depository insurance and approximately \$226,976 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, \$216,152 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 \$10,824, which is uninsured and uncollateralized. The amount subject to custodial credit risk represents \$10,824 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 \$10,988. For the balance of deposits in escrow accounts, approximately \$1,964 was covered by federal depository insurance. The remaining balance of \$9,024 was uninsured, but collateralized and pledged at 110%. 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.

*Investments*

The City's investments at June 30, 2013 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, 2013, 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>
Corporate Bonds and Notes	\$ 3,344
Exchange Traded Funds	2,105
Government Mortgage Backed Securities	11
Stocks - Common Stock	3,165
Stocks - Preferred Stock	299
U.S. Treasury Bonds and Notes	1,048
Total	<u>\$ 9,972</u>

h. Restricted Cash and Investments

Cash and investments at June 30, 2013 that are restricted by legal or contractual requirements are comprised of the following:

Nonmajor Governmental Funds	
Special Revenue	\$ 4,084
Debt Service	29,285
Capital Projects	80,569
Permanent Endowments	19,688
Total Nonmajor Governmental Funds	<u>133,626</u>
Nonmajor Enterprise Funds	
Environmental Services Fund - Funds set aside for landfill site closure and maintenance costs	47,336
Recycling Fund - Customer deposits	9,001
Total Nonmajor Enterprise Funds	<u>56,337</u>
Water Utility Enterprise Fund	
Customer Deposits	5,874
Interest and Redemption Funds	73,389
Total Water Utility Enterprise Fund	<u>79,263</u>
Sewer Utility Enterprise Fund	
Interest and Redemption Funds	88,448
Miscellaneous Agency Funds	
Special Assessment Funds and Retention Held in Escrow Accounts	37,658
Trust Funds	
Private-Purpose Trust Fund	88,757
Total Restricted Cash and Investments	<u>\$ 484,089</u>

**Summary of Total Cash and Investments**

Total Unrestricted Cash and Investments	\$ 9,399,187
Total Restricted Cash and Investments	484,089
Total Cash and Investments	<u>\$ 9,883,276</u>
Total Governmental Activities	\$ 1,206,731
Total Business-Type Activities	1,104,393
Total Fiduciary Activities	7,572,152
Total Cash and Investments	<u>\$ 9,883,276</u>

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

*Narratives and tables presented in the following sections (i. through t.) are taken directly from the comprehensive annual financial report of the San Diego City Employees' Retirement System as of June 30, 2013 (certain terms have been modified to conform to the City's CAFR presentation).*

#### Summary of Cash and Investments – SDCERS

Cash on Deposit with Wells Fargo Bank	\$ 1,785
Cash and Cash Equivalents on Deposit with Custodial Bank and Fiscal Agents	235,305
Investments at Fair Value	
Domestic Fixed Income Securities	1,552,205
International Fixed Income Securities	166,714
Domestic Equity Securities	1,839,561
International Equity Securities	1,052,717
Global Equity Securities	301,122
Real Estate	572,682
Private Equity	258,176
Infrastructure	37,100
Securities Lending Cash Collateral	190,851
Total Cash and Investments for SDCERS	<u>\$ 6,208,218</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, common stock, preferred stock, real estate investments, private equity, infrastructure and pooled vehicles. The risks and correlations of each asset class and investment manager are considered relative to an entire portfolio. Investment policies permit the Board to invest in financial futures contracts provided the contracts do not hedge SDCERS' Trust Fund portfolio. Financial futures contracts are recorded at fair value each day and must be settled at expiration date. Changes in the fair value of the contracts results in the recognition of a gain or loss under GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

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 and custodial fees and all other significant investment-related costs. SDCERS' realized gains totaled \$149,600 for the year ended June 30, 2013. Pursuant to the San Diego Municipal Code, realized gains and losses determine whether certain contingent benefits will be paid each fiscal year. Realized gains and losses are reported in the net appreciation (depreciation) in fair value of investments in the financial statements.

Through its investment objectives and policies, the Board emphasizes generating a rate of return above inflation and the preservation of capital. Investments are made only after the risk/reward trade-offs are evaluated.

SDCERS' investment portfolio includes fixed income strategies to diversify the investment portfolio. The percentage allocated to these strategies is based on information derived from the Asset/Liability Study. The returns of fixed income strategies vary less than equity returns. SDCERS' target asset allocation policy is reviewed each year. SDCERS' long term target allocation to fixed income strategies as of June 30, 2013 was 27%, which includes domestic fixed income and emerging market debt. The fixed income allocation is externally managed and is comprised as follows: 22% to core domestic fixed income (benchmarked to the Barclays Capital Aggregate Bond Index) and 5% to emerging market debt (benchmarked 50% to JP Morgan Emerging Market Bond Index Global Diversified and 50% to JP Morgan Global Bond Index-Emerging Global Diversified). A 2% target allocation to convertible bond securities (benchmarked to the Merrill Lynch All Convertibles All Qualities Index) is not included in the fixed income allocation, but instead is included in the domestic equity allocation. However, given that these convertible securities have fixed income attributes, the convertible bond allocation is included in the 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

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

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

The following table identifies the durations of SDCERS' domestic and international fixed income strategies based on portfolio holdings as of June 30, 2013.

Type of Security	Effective Duration (in years)	Fair Value <sup>1</sup>
Asset-Backed Securities	1.17	\$ 47,470
Commercial Mortgage-Backed Securities	1.89	41,334
Collateralized Mortgage Obligations	3.99	359,936
Corporate Bonds <sup>2</sup>	2.77	135,670
Government & Agency Obligations		
Agency Securities	1.79	72,141
Municipal Securities	9.80	33,978
Foreign Securities	7.01	12,945
Treasury Securities	6.85	305,646
Short-Term/Other <sup>3</sup>		
Bank Loans	0.08	963
Cash Equivalents	0.38	25,261
Total	4.34	\$ 1,035,344

<sup>1</sup> Fair Value does not include convertible bonds, mutual funds and derivative instruments of \$683,575. The duration for these securities cannot be calculated.

<sup>2</sup> Corporate Bonds do not include convertible securities of \$144,455.

<sup>3</sup> Short Term/Other does not include derivative instruments, short-term instruments and mutual funds of \$539,120. Although the duration was not available for these securities, the weighted average maturity was calculated for the mutual funds. The following table depicts the weighted average maturity for the mutual funds.

Name of Institutional Mutual Fund	Fair Value	Weighted Average Maturity (in years)
BlackRock U.S. Debt NL Fund	\$ 284,053	6.89
MetWest High Yield Fund B	8,507	7.75
PIMCO PAPS Real Return Bond Fund	561	2.50
PIMCO PAPS International Portfolio	2,367	4.84
PIMCO PAPS Short-Term Floating NAV II Portfolio	77,653	0.24
Stone Harbor	77,423	8.76
Wellington Trust Company CIF II Opportunistic Emerging Markets Debt Portfolio	84,678	11.68
Total	\$ 535,242	

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 to maturity. The total value of securities, as of June 30, 2013, 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	\$ 8,406	0.5%
Asset-Backed Securities	21,024	1.2%
Floating Rate Notes	67,305	3.9%
Range Notes	22,852	1.4%
Total	\$ 119,587	7.0%

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

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

SDCERS employs two core bond managers that invest primarily in U.S. fixed income and derivative securities, fixed income mutual funds, and some non-U.S. fixed income securities. SDCERS also invests in two emerging market debt commingled 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 BBB- for the two domestic fixed income managers.

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

The following table identifies the credit quality of SDCERS' fixed income strategies based on portfolio holdings as of June 30, 2013.

S&P Quality Rating	Total Fair Value	Asset- Backed Securities	Commercial Mortgage- Backed Securities	Collateralized Mortgage Obligations <sup>6</sup>	Corporates <sup>1</sup>	Government & Agency Obligations <sup>2</sup>	Short-Term/ Other <sup>3</sup>
US Treasuries	\$ 305,646	\$ -	\$ -	\$ -	\$ -	\$ 305,646	\$ -
GNMA Securities	9,721	-	-	9,721	-	-	-
AAA	42,138	16,946	14,926	298	-	8,136	1,832
AA+	62,056	8,488	12	1,703	4,964	46,889	-
AA	9,507	-	3,414	76	4,073	1,944	-
AA-	19,887	5,244	1,682	221	4,132	8,608	-
A+	25,896	7,202	-	3,274	5,061	10,359	-
A	27,494	2,669	53	318	13,249	11,205	-
A-	53,311	22	306	253	48,642	4,088	-
BBB+	9,240	1,113	81	103	7,943	-	-
BBB+u <sup>5</sup>	2,472	-	-	-	2,472	-	-
BBB	18,723	1,140	-	1,459	16,124	-	-
BBB-	28,741	-	4,977	-	23,764	-	-
BBB-/*- <sup>4</sup>	8,754	-	-	-	8,754	-	-
BB+	9,818	-	-	-	9,703	115	-
BB	9,957	-	-	227	9,730	-	-
BB-	13,135	-	104	-	12,775	256	-
B+/*+ <sup>4</sup>	3,981	-	-	-	3,981	-	-
B+	13,238	-	76	910	12,252	-	-
B	7,653	-	314	445	6,894	-	-
B-	3,730	-	-	73	2,286	1,371	-
CCC+	4,168	-	-	-	4,168	-	-
NR	1,029,653	4,646	15,389	340,855	79,158	26,093	563,512
Totals	<u>\$ 1,718,919</u>	<u>\$ 47,470</u>	<u>\$ 41,334</u>	<u>\$ 359,936</u>	<u>\$ 280,125</u>	<u>\$ 424,710</u>	<u>\$ 565,344</u>

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

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

<sup>3</sup> Includes fixed income mutual fund investments of \$535,242. These institutional quality fund investments are not directly rated by major credit rating agencies.

<sup>4</sup> S&P has issued a Credit Watch for these securities, meaning that they are reviewing the current rating. \*+ indicates that a rating may be raised. \*- indicates that a rating may be lowered.

<sup>5</sup> Indicates that the rating for this security was unsolicited by the issuer.

<sup>6</sup> Includes Federal Agency obligations of \$333,043.

Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk; however, U.S. Government Agency securities other than U.S. Treasuries and GNMA Securities have been included in the credit risk disclosure as AA+. NR represents those securities that are not rated by one of the NRSROs.



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, 2013, SDCERS had no single issuer that exceeded 5% of total investments as required to be disclosed by GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, or 5% of plan net position as required to be disclosed by GASB Statement No. 25, 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 issuer at the time of initial commitment, except for U.S. Government and Agency obligations. While SDCERS does not have a general investment policy on the concentration of credit risk by issuer, each manager's specific investment guidelines place limitations on the maximum holdings in any one issuer.

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*

At June 30, 2013 SDCERS' cash balance was \$1,785. Cash and cash equivalents on deposit with custodial bank and fiscal agents was \$235,305, which includes cash collateral for SDCERS' cash overlay program of \$37,000 and residual cash held in each manager's portfolio of \$198,305, which is invested overnight by SDCERS' custodial bank. SDCERS does not have a target allocation to cash. Any cash or cash equivalent balances on deposit are reserved for paying benefits and SDCERS' operational expenses.

SDCERS' cash deposits held in a demand deposit account (DDA) are subject to custodial credit risk. Cash on deposit with SDCERS' custodial bank totaled \$21,000 as of June 30, 2013. SDCERS' custodial assets held by State Street are not available to satisfy the obligations of State Street to its creditors.

*Investments*

As of June 30, 2013, 100% of SDCERS' investments were held in SDCERS' name. SDCERS is not exposed to custodial credit risk related to these investments.

*Securities Lending Collateral*

SDCERS' custodial bank acts as its securities lending agent. SDCERS is exposed to custodial credit risk for the securities lending collateral such that certain collateral is received in the form of letters of credit, tri-party collateral or securities collateral. The fair value of non-cash collateral totaled \$137,500 as of June 30, 2013. The non-cash collateral is not held in SDCERS' name and cannot be sold without a borrower default. The cash collateral held by SDCERS' custodian in conjunction with the securities lending program, which totaled \$191,363 as of June 30, 2013, is also at risk as it is invested in pooled vehicles managed by the custodian. The investment characteristics of the collateral pool are disclosed in the Securities Lending section of this note.

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, 2013.

<u>Local Currency Name</u>	<u>Cash</u>	<u>Equity</u>	<u>Fixed income</u>	<u>Options</u>	<u>Real Estate</u>	<u>Total</u>
Australian Dollar	\$ 27	\$ 5,837	\$ -	\$ -	\$ 5,174	\$ 11,038
Canadian Dollar	(85)	2,862	10,439	-	3,181	16,397
Danish Krone	-	2,879	-	-	-	2,879
Euro Currency	9,393	90,755	15,454	(20)	21,209	136,791
Hong Kong Dollar	3	10,576	-	-	5,970	16,549
Israeli Shekel	8	-	-	-	-	8
Japanese Yen	1,018	79,277	-	-	10,080	90,375
Norwegian Krone	1	-	-	-	324	325
Singapore Dollar	3	3,179	-	-	2,829	6,011
South Korean Won	25	1,042	-	-	-	1,067
Swedish Krona	32	6,620	-	-	669	7,321
Swiss Franc	80	20,512	-	-	502	21,094
Taiwan Dollar	28	-	-	-	-	28
United Kingdom Pound	495	60,768	1,209	-	3,874	66,346
Totals	<u>\$ 11,028</u>	<u>\$ 284,307</u>	<u>\$ 27,102</u>	<u>\$ (20)</u>	<u>\$ 53,812</u>	<u>\$ 376,229</u>

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

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held by SDCERS as an investment. Foreign currency is held temporarily in foreign accounts until it is able to be repatriated or expended to settle trades. 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

Pursuant to the requirements of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, SDCERS has provided a summary of derivative instrument activities during the reporting period and the related risks. As of June 30, 2013, 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 Position.

SDCERS' investment managers, as permitted by their specific investment guidelines, may enter into transactions involving derivative financial instruments, consistent with the objectives established by the SDCERS' Investment Policy Statement. These instruments include futures, options, swaps, forwards, warrants and rights. By Board policy, these investments may not be used to leverage SDCERS' portfolio, i.e. use derivatives to increase the portfolio's notional exposure to any given asset class. These instruments are used in an attempt to enhance 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, 2013.

Investment Derivative Instruments	Net Appreciation (Depreciation) in Fair Value	Classification	Fair Value at June 30, 2013		
	Amount		Amount	Notional (Dollars)	Notional (Shares)
Credit Default Swaps	\$ 2,043	Domestic Fixed Income	\$ 35	\$ 16,677	-
Fixed Income Futures	(1,516)	Domestic Fixed Income	-	215,609	-
Fixed Income Options	(421)	Domestic Fixed Income	(754)	(187,568)	-
Foreign Currency Futures	(6)	Domestic Fixed Income	-	5,100	-
Foreign Currency Options	10	Domestic Fixed Income	(1)	(1,500)	-
Futures Options	53	Domestic Fixed Income	(136)	(96)	-
Foreign Currency Forwards	(694)	Domestic Fixed Income	38	36,347	-
Index Futures	28,652	Domestic Fixed Income	-	103	-
Interest Rate Swaps	2,607	Domestic Fixed Income	2,874	93,600	-
Rights	79	Domestic Equity	6	-	8
<b>Total Derivative Instruments</b>	<b>\$ 30,807</b>		<b>\$ 2,062</b>	<b>\$ 178,272</b>	<b>8</b>

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

Futures contracts are financial instruments that derive their value from underlying indices or reference rates and are marked-to-market at the end of each trading day. Daily settlement of gains and losses occur on the following business day. As a result, the futures contracts do not have a fair value as of June 30, 2013. 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, 2013.

#### *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, 2013:

<u>Counterparty Name</u>	<u>Fair Value</u>	<u>S&amp;P Rating</u>
Deutsche Bank CME	\$ 2,301	A+
Deutsche Bank AG London	393	A+
Barclays	251	A+
UBS CME	198	A
Citigroup Global Markets	176	A-
Barclays Bank PLC	103	A+
Citibank N.A.	32	A
BNP Paribas SA	30	A+
Goldman Sachs International	21	A-
Bank of America N.A.	7	A
Barclays Bank PLC Wholesale	7	A+
Morgan Stanley and Company, Inc.	2	A-
Total	<u>\$ 3,521</u>	

The aggregate fair value of investment derivative instruments in an asset position subject to counterparty credit risk at June 30, 2013 was \$3,521. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. At June 30, 2013, 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, 2013, 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, 2013, 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	\$ 35	\$ -	\$ 35	\$ -	\$ -
Fixed Income Options	(754)	(1,345)	630	(39)	-
Interest Rate Swaps	2,874	-	150	-	2,724
Total	<u>\$ 2,155</u>	<u>\$ (1,345)</u>	<u>\$ 815</u>	<u>\$ (39)</u>	<u>\$ 2,724</u>

*Derivative Instruments Highly Sensitive to Interest Rate Changes*

Credit default swaps, fixed income futures, options and interest rate swaps are highly sensitive to changes in interest rates. The table below reflects the fair value and notional amount of these derivative instruments as of June 30, 2013.

Investment Type	Fair Value	Notional
Credit Default Swaps	\$ 35	\$ 16,677
Fixed Income Futures	-	215,609
Fixed Income Options	(754)	(187,568)
Interest Rate Swaps	2,874	93,600
Total	<u>\$ 2,155</u>	<u>\$ 138,318</u>

*Foreign Currency Risk*

At June 30, 2013, SDCERS was exposed to foreign currency risk on its investments in options, currency forward contracts and interest rate swaps denominated in foreign currencies.

Currency Name	Options	Foreign Currency Forwards		Swaps	Total
		Net Receivables	Net Payables		
Canadian Dollar	\$ -	\$ -	\$ 393	\$ -	\$ 393
Euro Currency	(14)	(55)	(305)	4	(370)
Pound Sterling	-	-	30	-	30
Japanese Yen	-	(27)	2	-	(25)
Subtotal	(14)	(82)	120	4	28
Investments Denominated in USD	(871)	-	-	2,905	2,034
Total	\$ (885)	\$ (82)	\$ 120	\$ 2,909	\$ 2,062

In addition to the investments listed in the above table, SDCERS has investments in foreign futures contracts with a total notional value of \$12,500. 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, 2013.

*Contingent Features*

At June 30, 2013, SDCERS did not hold any positions in derivatives containing contingent features.

q. Infrastructure

SDCERS' target allocation to infrastructure is 3%, with a portfolio composition focused on value and current income producing strategies. Unfunded capital commitments as of June 30, 2013 totaled \$169,300. As of June 30, 2013, infrastructure investments totaled \$37,100.

r. Private Equity

SDCERS' target allocation to private equity is 10%, with a portfolio composition focused on value and current income producing strategies. As of June 30, 2013, unfunded capital commitments totaled \$362,200 and private equity investments totaled \$258,176.

s. Real Estate

SDCERS' target allocation to real estate is 11%. The Board has established the following portfolio composition targets: 10% in public real estate securities and 90% in private real estate investments. The private portfolio is further diversified with a target of 70% in core real estate and 30% in value-add and opportunistic real estate. No more than 40% of SDCERS' real estate portfolio is allocated to non-U.S. real estate investment opportunities.

Certain real estate investments are leveraged. In those cases, partnerships have been established to purchase properties through a combination of equity contributions from SDCERS, other investors and through the utilization of debt. SDCERS engages real estate advisors and operating partners who are responsible for managing a portfolio's daily activities, performance and reporting. As of June 30, 2013, real estate investments totaled \$572,682 and unfunded capital commitments totaled \$143,200. SDCERS' share of outstanding debt in the real estate portfolio is \$127,400, excluding obligations of limited partnership interests in commingled funds. This balance of debt is comprised of all non-recourse loans that currently bear interest at rates ranging from 3.11% to 6.04% and maturity dates that range from January 2014 through June 2020. Pursuant to a policy, SDCERS has established a maximum leverage limit of 50% at the portfolio level. As of June 30, 2013, SDCERS' real estate portfolio had leverage of 34%.

t. 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 102% for domestic loans and 105% for international loans. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default.

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

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

As of June 30, 2013, securities on loan collateralized by cash had a fair value of \$186,900 and SDCERS received cash collateral of \$191,363, which was reported as securities lending obligations in the accompanying Statement of Plan Net Position in accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*. 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, 2013, securities on loan collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of \$128,100 and a collateral value of \$137,500, which were not reported as assets or liabilities in the accompanying Statement of Plan Net Position in accordance with GASB Statement No. 28. The total collateral pledged to SDCERS at June 30, 2013 for its securities lending activities was \$328,863.

SDCERS and the borrowers maintain the right to terminate securities lending transactions upon notice. The cash collateral received for lent securities was invested by State Street, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment fund, or collateral pool. In July 2010, State Street restructured the securities lending collateral funds creating two pools, a liquidity pool and a duration pool. As of June 30, 2013, these collateral pools were not rated by the NRSROs.

As of June 30, 2013, SDCERS had \$176,100 invested in the Quality D liquidity collateral pool, which had an average duration of 28.8 days and an average weighted final maturity of 85.0 days. SDCERS had \$14,800 invested in the Quality D duration pool, which had an average duration of 43.9 days and an average weighted final maturity of 1,971.8 days. Duration is the weighted time average until cash flows are received in the collateral pool, and is measured in days. Alternatively, the weighted average final maturity measures when all final maturities in the portfolio will occur. The duration of the investments made with cash collateral does not generally match the duration of the loans. This is because the loans are terminable at any time by SDCERS or the borrower.

#### **Discretely Presented Component Units – Disclosures for Policy and Specific Risks**

*Narratives and tables presented in the following sections (u. through v.) 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, 2013.*

#### u. San Diego Convention Center Corporation

Cash, deposits and investments were categorized as follows at June 30, 2013:

Cash on hand	\$ 21
Deposits	2,028
Certificates of deposit (non-negotiable)	1,097
Bank money market account deposits	<u>5,067</u>
Total cash and investments	<u>\$ 8,213</u>

#### *Deposits*

At June 30, 2013, the carrying amount of SDCCC's cash on hand, deposits, non-negotiable certificates of deposit and bank money market account deposits was \$8,213 and the bank balance was \$8,310. Of the bank balance, \$384 was covered by federal depository insurance. The remaining uninsured balance of \$7,926 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 \$1,097 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.

#### *Investments*

SDCCC developed a formal deposit and investment policy in August 2010, which addresses custodial credit risk, 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.

v. San Diego Housing Commission

Cash, cash equivalents, and investments at June 30, 2013 consisted of the following:

Deposits	\$ 16,066
Petty cash	20
Agency Bonds	71,173
Corporate Bonds	10,894
Local Agency Investment Fund	10,908
Negotiable Certificates of Deposit	2,942
San Diego County Investment Pool	<u>2,389</u>
Total cash and investments	114,392
Restricted cash and cash equivalents	<u>3,601</u>
Total	<u><u>\$ 117,993</u></u>

*Deposits*

The carrying amount of the SDHC's cash deposits was \$16,066 at June 30, 2013. 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.

The fair value of pledged securities must equal at least 110% of SDHC's cash deposits. California law also allows institutions to secure SDHC's deposits by pledging first trust deed mortgage notes having a value of 150% of SDHC's total cash deposits. SDHC may waive collateral requirements for cash deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC).

*Investment Policy*

In accordance with state statutes and HUD regulations, SDHC has authorized the Chief Financial Officer or designee to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in the SDHC Investment Policy. An Investment Committee, consisting of two SDHC Board members, monitors the management of funds and compliance with the SDHC Investment Policy.

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

Investments in the State's Local Agency Investment Fund and San Diego County Investment Pool represent SDHC's equity in pooled investments. Other investments such as certificates of deposit, bonds, repurchase agreements, bankers acceptance notes and checking accounts are safe kept with commercial banking and investing institutions.

### *Investments*

As of June 30, 2013, SDHC's investments included agency bonds, corporate bonds, negotiable certificates of deposit, California Local Agency Investment Fund (LAIF) and San Diego County Investment Pool (SDCIP). SDHC's investments under U.S. Government Agency bonds are made up of Mortgage-Backed Security (MBS) bonds traded on an active secondary market. MBS Bonds are a security or debt obligation that represents a claim on the monthly cash flows from mortgage loans. They represent investments in securities that are backed by pools of high quality consumer or commercial mortgages guaranteed by a government agency or Government Sponsored Enterprises (GSE). While Standard & Poor's and Moody's do not specifically rate MBS, they carry an implied rating based on the high quality collateral that backs the bonds and the AAA rating by Moody's (AA+ by Standard & Poor's) of the GSE (Fannie/Freddie) that issues/guarantees them. At June 30, 2013, SDHC had \$71,173 invested in Agency MBS.

Corporate bonds represent an investment in highly rated corporate senior debt with a minimum Standard & Poor's rating of A+. These bonds consist of fixed and floating-rate securities. On corporate floating-rate securities, the coupon rate of return is based on the 90 day London Inter-Bank Offer Rate (LIBOR) index plus a margin or basis points. At June 30, 2013, SDHC had \$10,894 invested in corporate fixed and floating-rate bonds with an average yield to maturity of 1.36% and an average days-to-maturity of 606.

SDHC had \$2,942 in negotiable certificates of deposit in the investment portfolio. Each certificate of deposit is issued through a separate legal entity and purchased in an amount under the \$250,000 FDIC insured limits.

SDHC participates in the State's LAIF. LAIF is part of the State of California Pooled Money Investment Account (PMIA) and is protected by statute ensuring invested funds remain SDHC's assets. PMIA is not registered with the SEC but is required to invest in accordance with California State Code. As of June 30, 2013, the average maturity of PMIA investments was 278 days and the balance of the investment portfolio was \$58,803,000. SDHC had \$10,908 invested with LAIF as of June 30, 2013.

In addition to LAIF, SDHC also participates in the SDCIP. SDCIP is a Standard & Poor's AAA rated fund managed by the San Diego County Treasurer-Tax Collector. The fair value of SDCIP's investment portfolio at June 30, 2013 was \$6,663,000. The investment portfolio had a weighted average yield to maturity of 0.40%, weighted days to maturity of 393 days and an effective duration of 0.87 years. SDHC is a voluntary participant in the County pool and as of June 30, 2013, SDHC had \$2,389 invested in SDCIP.

### *Investment Risk Factors*

There are many factors that can affect the value of investments. Some factors, such as credit risk, custodial risk, concentration of credit risk and market risk, may affect both equity and fixed income securities. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risk and changes in interest rates. 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.

### *Market Risk*

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

*Interest Rate Risk* is the risk associated with declines or rises in interest rates, which cause an investment in a fixed-income security to increase or decrease in value. The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes.

*Liquidity Risk* is the risk of being unable to liquidate an investment prior to maturity. Related to liquidity risk is the concept of marketability, or the ability to sell an instrument on short notice without incurring a meaningful loss in price.

*Reinvestment Risk* is the risk that the proceeds from a fixed-income security cannot be reinvested at less than the same rate of return currently generated by that holding. This risk is common with securities that are callable.

In accordance with its investment policy, SDHC manages market risk by matching portfolio maturities to projected liabilities and monitoring the weighted average maturity of its portfolio. This is done by maintaining a portion of the portfolio in readily available funds and investing in securities with limited call features and an active secondary market. These measures ensure that appropriate liquidity is maintained in order to meet ongoing operations, maximize return and limit exposure to changing market conditions. SDHC's exposure to interest risk as of June 30, 2013 is as follows:

	<u>Total Fair Value</u>	<u>Less Than 3 Months</u>	<u>4-12 Months</u>	<u>1-5 Years</u>
Cash and Cash Equivalents				
Deposits	\$ 16,066	\$ 16,066	\$ -	\$ -
Petty Cash	20	20	-	-
Restricted Cash and Cash Equivalents	3,601	3,601	-	-
Total Cash and Cash Equivalents	<u>19,687</u>	<u>19,687</u>	<u>-</u>	<u>-</u>
Short-Term Investments				
U.S. Government Agency	745	65	680	-
San Diego County Investment Pool	2,389	-	-	2,389
State Local Agency Investment Fund	10,908	-	10,908	-
Total Short-Term Investments	<u>14,042</u>	<u>65</u>	<u>11,588</u>	<u>2,389</u>
Long-Term Investments				
U.S. Government Agency	70,428	-	-	70,428
Corporate Bonds	10,894	-	-	10,894
Negotiable Certificates of Deposit	2,942	-	-	2,942
Total Long-Term Investments	<u>84,264</u>	<u>-</u>	<u>-</u>	<u>84,264</u>
Total Cash, Cash Equivalents, and Investments	<u>\$ 117,993</u>	<u>\$ 19,752</u>	<u>\$ 11,588</u>	<u>\$ 86,653</u>

### *Credit Risk*

Fixed income securities are subject to credit risk, which is the risk that an issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Certain fixed income securities, including obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government are considered to have minimal credit risk. SDHC minimizes credit risk by limiting investments to those listed in the investment policy. In addition, SDHC pre-qualifies the financial institutions, broker/dealers, intermediaries, and advisors with which SDHC will do business in accordance with the investment policy. SDHC diversifies the 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, thereby exposing SDHC to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Investments issued or guaranteed by the U.S. government and investments in external investment pools such as LAIF and SDCIP are not considered subject to concentration of credit risk.

### *Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of the failure of the custodian, the investments may not be returned. 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.

The exposure of SDHC's debt securities to credit risk as of June 30, 2013 is as follows:

	Standard & Poor's Credit Rating				Not Subject to Rating
	Total Fair Value	AAA	AA	A	
<b>Short-Term Investments</b>					
U.S. Government Agency	745	-	-	-	745
San Diego County Investment Pool	2,389	2,389	-	-	-
State Local Agency Investment Fund	10,908	-	-	-	10,908
<b>Total Short-Term Investments</b>	<b>14,042</b>	<b>2,389</b>	<b>-</b>	<b>-</b>	<b>11,653</b>
<b>Long-Term Investments</b>					
U.S. Government Agency	70,428	-	-	-	70,428
Corporate Bonds	10,894	-	7,297	3,597	-
Negotiable Certificates of Deposit	2,942	-	-	-	2,942
<b>Total Long-Term Investments</b>	<b>84,264</b>	<b>-</b>	<b>7,297</b>	<b>3,597</b>	<b>73,370</b>
<b>Total Investments</b>	<b>\$ 98,306</b>	<b>\$ 2,389</b>	<b>\$ 7,297</b>	<b>\$ 3,597</b>	<b>\$ 85,023</b>

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

Capital asset activities for the year ended June 30, 2013 are as follows:

	Primary Government				
	Beginning Balance	Increases	Decreases/ Adjustments	Transfers	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>					
Non-Depreciable Capital Assets:					
Land and Rights of Way	\$ 1,745,362	\$ 62,741	\$ (78,876)	\$ 11	\$ 1,729,238
Easements	290	244	-	122	656
Construction in Progress	316,236	114,553	(7,349)	(33,512)	389,928
Total Non-Depreciable Capital Assets	2,061,888	177,538	(86,225)	(33,379)	2,119,822
Depreciable Capital Assets:					
Structures and Improvements	1,164,155	5,348	(11,035)	(35,536)	1,122,932
Equipment	363,635	19,324	(22,121)	5,397	366,235
Equipment (Intangible)	38,120	-	-	(412)	37,708
Infrastructure	3,378,034	97,303	(30)	63,930	3,539,237
Total Depreciable Capital Assets	4,943,944	121,975	(33,186)	33,379	5,066,112
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(426,660)	(32,438)	2,120	1,819	(455,159)
Equipment	(214,608)	(30,402)	19,631	(80)	(225,459)
Equipment (Intangible)	(7,625)	(6,640)	-	103	(14,162)
Infrastructure	(1,902,444)	(90,675)	36	(1,842)	(1,994,925)
Total Accumulated Depreciation/Amortization	(2,551,337)	(160,155)	21,787	-	(2,689,705)
Total Depreciable Capital Assets - Net of Depreciation	2,392,607	(38,180)	(11,399)	33,379	2,376,407
Governmental Activities Capital Assets, Net	\$ 4,454,495	\$ 139,358	\$ (97,624)	\$ -	\$ 4,496,229
<b>BUSINESS-TYPE ACTIVITIES</b>					
Non-Depreciable Capital Assets:					
Land and Rights of Way	\$ 95,455	\$ 1,608	\$ (27)	\$ -	\$ 97,036
Easements	428	154	-	85	667
Construction in Progress	223,009	99,275	(815)	(130,204)	191,265
Total Non-Depreciable Capital Assets	318,892	101,037	(842)	(130,119)	288,968
Depreciable Capital Assets:					
Structures and Improvements	1,671,601	5,148	-	(4,531)	1,672,218
Equipment	454,591	5,480	(4,089)	(5,077)	450,905
Equipment (Intangible)	20,522	103	-	(2,728)	17,897
Distribution and Collection Systems and Other Infrastructure	4,275,339	151,015	(5,108)	142,455	4,563,701
Total Depreciable Capital Assets	6,422,053	161,746	(9,197)	130,119	6,704,721
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(455,447)	(35,082)	-	(236)	(490,765)
Equipment	(292,911)	(17,601)	3,481	3,569	(303,462)
Equipment (Intangible)	-	(1,986)	-	28	(1,958)
Distribution and Collection Systems and Other Infrastructure	(922,626)	(67,825)	3,492	(3,361)	(990,320)
Total Accumulated Depreciation/Amortization	(1,670,984)	(122,494)	6,973	-	(1,786,505)
Total Depreciable Capital Assets - Net of Depreciation	4,751,069	39,252	(2,224)	130,119	4,918,216
Business-Type Activities Capital Assets, Net	\$ 5,069,961	\$ 140,289	\$ (3,066)	\$ -	\$ 5,207,184

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

**GOVERNMENTAL ACTIVITIES**

General Government and Support	\$ 9,808
Public Safety - Police	4,363
Public Safety - Fire and Life Safety and Homeland Security	3,726
Parks, Recreation, Culture and Leisure	37,937
Transportation	78,686
Sanitation and Health	984
Neighborhood Services	<u>371</u>
Subtotal	135,875
Internal Service	<u>24,280</u>
Total Depreciation/Amortization Expense	<u>\$ 160,155</u>

**BUSINESS-TYPE ACTIVITIES**

Sewer Utility	\$ 68,452
Water Utility	48,334
Airports	658
Development Services	281
Environmental Services	3,448
Golf Course	1,297
Recycling	<u>24</u>
Total Depreciation/Amortization Expense	<u>\$ 122,494</u>

**Discretely Presented Component Units**

Capital asset activities for the City's Discretely Presented Component Units for the year ended June 30, 2013 are as follows:

	Discretely Presented Component Unit - San Diego Convention Center Corporation			
	Beginning Balance <sup>1</sup>	Increases	Decreases/ Adjustments	Ending Balance
Non-Depreciable Capital Assets:				
Land	\$ 17,365	\$ 749	\$ -	\$ 18,114
Depreciable Capital Assets:				
Structures and Improvements	26,935	1,643	(318)	28,260
Equipment	7,317	273	(906)	6,684
Total Depreciable Capital Assets	34,252	1,916	(1,224)	34,944
Less Accumulated Depreciation/Amortization For:				
Structures and Improvements	(15,950)	(1,761)	228	(17,483)
Equipment	(6,484)	(326)	905	(5,905)
Total Accumulated Depreciation/Amortization	(22,434)	(2,087)	1,133	(23,388)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	11,818	(171)	(91)	11,556
Capital Assets, Net	\$ 29,183	\$ 578	\$ (91)	\$ 29,670

<sup>1</sup> Due to the spin-off of San Diego Theatres, Inc (SDTI) from SDCCC, effective July 1, 2012, the beginning capital assets balance was restated in the amount of \$2,926 from \$32,109 to \$29,183, to eliminate the carrying value of SDTI's capital assets.

	Discretely Presented Component Unit - San Diego Housing Commission			
	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Non-Depreciable Capital Assets:				
Land	\$ 60,563	\$ 2,473	\$ -	\$ 63,036
Construction in Progress	9,831	3,118	(11,095)	1,854
Total Non-Depreciable Capital Assets	70,394	5,591	(11,095)	64,890
Depreciable Capital Assets:				
Structures and Improvements	102,442	6,385	10,796	119,623
Equipment	3,494	47	240	3,781
Total Depreciable Capital Assets	105,936	6,432	11,036	123,404
Less Accumulated Depreciation/Amortization For:				
Structures and Improvements	(15,708)	(3,823)	-	(19,531)
Equipment	(2,731)	(291)	55	(2,967)
Total Accumulated Depreciation/Amortization	(18,439)	(4,114)	55	(22,498)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	87,497	2,318	11,091	100,906
Capital Assets, Net	\$ 157,891	\$ 7,909	\$ (4)	\$ 165,796

Capital asset activities for the City's Successor Agency for the year ended June 30, 2013 are as follows:

	Successor Agency - Private-Purpose Trust Fund					Ending Balance
	Beginning Balance	Transfers from City	Increases	Transfers to City	Decreases/ Adjustments	
Non-Depreciable Capital Assets:						
Land, Easements, Rights of Way	\$ 74,229	\$ 76,645	\$ -	\$ (44,540)	\$ (387)	\$ 105,947
Total Non-Depreciable Capital Assets	74,229	76,645	-	(44,540)	(387)	105,947
Depreciable Capital Assets:						
Structures and Improvements	59,410	10,322	-	-	-	69,732
Equipment	819	-	-	-	-	819
Total Depreciable Capital Assets	60,229	10,322	-	-	-	70,551
Less Accumulated Depreciation/Amortization For:						
Structures and Improvements	(9,059)	(1,546)	(1,743)	-	-	(12,348)
Equipment	(811)	-	(8)	-	-	(819)
Total Accumulated Depreciation/Amortization	(9,870)	(1,546)	(1,751)	-	-	(13,167)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	50,359	8,776	(1,751)	-	-	57,384
Capital Assets, Net	\$ 124,588	\$ 85,421	\$ (1,751)	\$ (44,540)	\$ (387)	\$ 163,331



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

### a. Long-Term Liabilities

The composition of the governmental long-term liabilities as of June 30, 2013 is reflected in the table below, followed by additional information on some of these items:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2013
<b>Compensated Absences</b>				\$ 71,318
<b>Liability Claims</b>				364,657
<b>Capital Lease Obligations</b>	1.22 - 5.0%	2024		65,369
<b>Qualified Energy Conservation Bonds Lease Obligation</b>	6.16 <sup>1</sup>	2026	\$ 13,142	11,637
<b>Contracts Payable:</b>				
Facilities Financing Reimbursement Agreement Obligations				7,454
<b>Loans Payable:</b>				
California Energy Resources Conservation and Development Commission, dated January 2007	4.5	2021	1,280	799
California Energy Resources Conservation and Development Commission, dated March 2007	3.95	2019	2,154	1,137
California Energy Resources Conservation and Development Commission, dated December 2011	3.0	2023	2,700	2,700
Bank of America, N.A. McGuigan Judgment, dated June 2010	3.79 <sup>2</sup>	2015	32,762	<u>17,002</u>
<b>Total Loans Payable</b>				<u>21,638</u>
<b>Section 108 Loans Payable</b>				5,630
<b>Lease Revenue Bonds:</b>				
City/MTDB Authority Lease Revenue Refunding Bonds, Series 2003	2.0 - 4.375 <sup>3</sup>	2023	15,255	9,280
San Diego Facilities Equipment Leasing Corp. Certificates of Participation Refunding, Series 2003	1.0 - 4.0 <sup>3</sup>	2024	17,425	6,745
Public Facilities Financing Authority Ballpark Lease Revenue Refunding Bonds, Series 2007 A	5.0 - 5.25 <sup>3</sup>	2032	156,560	134,090
Public Facilities Financing Authority Lease Revenue Refunding Bonds, Series 2010 A	3.0-5.25 <sup>3</sup>	2040	167,635	160,275
Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 2012 A	3.8 - 5.25 <sup>3</sup>	2028	140,440	133,030
Public Facilities Financing Authority Deferred CIP Lease Revenue Bonds, Series 2012 A	2.0 - 5.25 <sup>3</sup>	2042	72,000	71,410
Public Facilities Financing Authority Fire and Life Safety Lease Revenue Bonds, Series 2012 B	2.0 - 5.0 <sup>3</sup>	2032	18,745	<u>18,405</u>
<b>Total Lease Revenue Bonds</b>				<u>533,235</u>
<b>Tobacco Settlement Asset-Backed Bonds:</b>				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	7.125 <sup>3</sup>	2023	105,400	<u>81,635</u>
<b>Total Bonds Payable</b>				<u>614,870</u>
<b>Net Other Postemployment Benefits Obligation</b>				188,428
<b>Net Pension Obligation</b>				<u>115,925</u>
<b>Total Governmental Activities Long-Term Liabilities</b>				<u>\$ 1,466,926</u>

<sup>1</sup> Nominal interest rate of 6.16% with a net effective rate of 2.40% inclusive of QEGB federal subsidy.

<sup>2</sup> 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.

<sup>3</sup> Interest rates are fixed and reflect the range of rates for various maturities from the date of issuance to maturity.

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. As of June 30, 2013, there was no outstanding arbitrage liability for the governmental funds.

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 covered 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 54(D)a of the Internal Revenue Code of 1986, as amended. The QECBs were issued to fund the Broad Spectrum Street Lighting Conversion Program and will be paid from annual appropriations payable out of any source of legally available funds.

Facilities Financing Reimbursement Agreements are contract provisions whereby a developer either constructs or provides funding towards a public improvement project, which is included as part of an approved City Public Facilities Financing Plan. Typical improvements constructed under this program are transportation projects, parks, fire stations, and libraries. A developer is obligated to provide the infrastructure and is later reimbursed or provided program credits against future Facilities Benefit Assessment (FBA) or Development Impact Fees (DIF) payments due up to the amount of the eligible infrastructure costs as stated in an approved reimbursement agreement. Provisions of reimbursement agreements permit FBA/DIF cash reimbursement as funds become available, rather than at a certain time, and these agreements bear no interest.

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 is 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. The loans are arranged through the U.S. Department of Housing and Urban Development and a fixed repayment schedule is provided that allocates a portion of the total obligation issued to each borrower including the City as well as other municipalities.

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 TSRFC, which is a separate legal California nonprofit public benefit corporation established by the City. 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, 2013, including interest payments to maturity, are as follows:

Year Ending June 30,	Capital Lease Obligations		Qualified Energy Conservation Bonds Lease Obligation		Contracts Payable		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 16,189	\$ 1,837	\$ 773	\$ 717	\$ -	\$ -	\$ 8,699	\$ 730
2015	13,340	1,360	792	669	-	-	9,034	395
2016	10,760	958	811	620	-	-	389	46
2017	7,703	663	830	570	-	-	406	29
2018	5,328	458	850	519	-	-	201	14
2019-2023	11,525	886	4,569	1,785	-	-	209	6
2024-2028	524	13	3,012	374	-	-	-	-
Unscheduled <sup>1</sup>	-	-	-	-	7,454	-	2,700	110
Total	<u>\$ 65,369</u>	<u>\$ 6,175</u>	<u>\$ 11,637</u>	<u>\$ 5,255</u>	<u>\$ 7,454</u>	<u>\$ -</u>	<u>\$ 21,638</u>	<u>\$ 1,330</u>

Year Ending June 30,	Section 108 Loans Payable		Lease Revenue Bonds		Tobacco Settlement Asset-Backed Bonds	
	Principal	Interest	Principal	Interest	Principal <sup>2</sup>	Interest
2014	\$ 426	\$ 318	\$ 18,995	\$ 25,750	\$ 5,000	\$ 5,816
2015	441	294	19,770	24,978	5,400	5,460
2016	455	269	20,610	24,144	5,700	5,076
2017	471	242	21,495	23,265	6,200	4,669
2018	486	214	22,420	22,326	6,600	4,228
2019-2023	2,409	624	128,330	94,569	52,735	13,393
2024-2028	942	58	145,300	60,371	-	-
2029-2033	-	-	80,385	30,052	-	-
2034-2038	-	-	45,575	13,960	-	-
2039-2043	-	-	30,355	2,638	-	-
Total	<u>\$ 5,630</u>	<u>\$ 2,019</u>	<u>\$ 533,235</u>	<u>\$ 322,053</u>	<u>\$ 81,635</u>	<u>\$ 38,642</u>

<sup>1</sup> The contracts payable for the Facilities Financing Reimbursement Agreements in the amount of \$7,454 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) revenues. Loan Payable of \$2,700 to California Energy Resources Conservation and Development Commission does not have a fixed annual repayment schedule until construction of the project is completed and final billing submitted.

<sup>2</sup> 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, 2013. The effect of bond premiums, discounts, and deferred amounts on refunding are reflected as adjustments to the carrying value of long-term liabilities.

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 70,993	\$ 49,995	\$ (49,670)	\$ 71,318	\$ 29,346
Liability Claims	278,151	133,045	(46,539)	364,657	45,845
Capital Lease Obligations	69,638	13,522	(17,791)	65,369	16,189
Qualified Energy Conservation Bonds					
Lease Obligation	12,392	-	(755)	11,637	773
Contracts Payable	17,421	9,047	(19,014)	7,454	-
Loans Payable	30,011	-	(8,373)	21,638	8,699
Section 108 Loans Payable	8,737	-	(3,107)	5,630	426
Lease Revenue Bonds	481,630	90,745	(39,140)	533,235	18,995
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	10,902	3,592	(845)	13,649	802
Net Revenue Bonds	492,532	94,337	(39,985)	546,884	19,797
Tobacco Settlement Asset-Backed Bonds	86,195	-	(4,560)	81,635	5,000
Net Other Postemployment Benefits Obligation	191,122	-	(2,694)	188,428	-
Net Pension Obligation	116,834	-	(909)	115,925	-
Total	<u>\$ 1,374,026</u>	<u>\$ 299,946</u>	<u>\$ (193,397)</u>	<u>\$ 1,480,575</u>	<u>\$ 126,075</u>

The PFFA issued \$72,000 of Lease Revenue Bonds, Series 2012A (Capital Improvement Projects) and \$18,745 of Lease Revenue Refunding Bonds, Series 2012B (Fire and Life Safety Facilities Refunding). The Series 2012B fully refunded the outstanding Fire and Life Safety Lease Revenue Bonds, Series 2002B. The Series 2012A and 2012B bonds are special, limited obligations of the PFFA secured solely by the base rental payments paid by the City for the use and occupancy of the leased property and certain funds held under the indenture.

d. Redemption of Debt

Lease Revenue Refunding Bonds, Series 2012B (Fire and Life Safety Facilities Refunding) were issued to refund the outstanding Lease Revenue Bonds, Series 2002B (Fire and Life Safety Facilities Project). Since the refunded bonds have been fully redeemed prior to fiscal year end, the liability has been removed from the Statement of Net Position. The refunding transaction resulted in a total economic gain of approximately \$2,392 and a cash flow savings of approximately \$2,875. The refunded bonds were fully redeemed on August 2, 2012.

e. Long-Term Pledged Liabilities

Governmental long-term pledged liabilities as of June 30, 2013 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>Pledged CDBG Revenue:</b>				
Section 108 Loans Payable		\$ -	\$ 2,978	\$ 2,978
<b>Pledged Developer Revenue:</b>				
Regional Transportation Center Redevelopment Project (Section 108)	2021	1,616	247	247
<b>Pledged Development Impact Fee (DIF) Revenue:</b>				
Kearny Mesa Reimbursement Agreement, dated June 2005		668	-	-
<b>Pledged Facilities Benefit Assessment (FBA) Revenue:</b>				
Facilities Financing Reimbursement Agreement Obligations		6,786	19,014	19,014
Naval Training Center Civic, Arts, and Cultural Center (Section 108)	2025	6,033	507	507
<b>Total Pledged Facilities Benefit Assessment (FBA) Revenue</b>		<u>12,819</u>	<u>19,521</u>	<u>19,521</u>
<b>Pledged Tobacco Settlement Revenue:</b>				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	2023	120,277	10,693	10,100
<b>Total</b>		<u>\$ 135,380</u>	<u>\$ 33,439</u>	<u>\$ 32,846</u>

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

### a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2013 are comprised of the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2013
<b>Arbitrage Liability</b>				\$ 60
<b>Compensated Absences</b>				13,347
<b>Liability Claims</b>				11,630
<b>Loans Payable:</b>				
State Water Resources Control Board, issued February 9, 2000	1.80% <sup>2</sup>	2020	\$ 10,606	4,152
State Water Resources Control Board, issued February 9, 2000	1.80 <sup>2</sup>	2022	6,684	3,307
State Water Resources Control Board, issued March 30, 2001	1.80 <sup>2</sup>	2022	33,720	16,668
State Water Resources Control Board, issued issued May 17, 2001	1.80 <sup>2</sup>	2022	7,742	3,827
State Water Resources Control Board, issued May 17, 2001	1.80 <sup>2</sup>	2021	860	382
State Water Resources Control Board, issued June 11, 2001	1.80 <sup>2</sup>	2021	2,525	1,119
State Water Resources Control Board, issued October 3, 2002	1.99 <sup>2</sup>	2020	3,767	1,627
State Water Resources Control Board, issued October 3, 2002	1.80 <sup>2</sup>	2023	8,068	4,392
State Water Resources Control Board, issued December 14, 2005	1.89 <sup>2</sup>	2024	10,093	6,277
Department of Health Services, issued July 6, 2005	2.51 <sup>2</sup>	2026	21,525	14,682
State Water Resources Control Board, issued October 15, 2006	1.99 <sup>2</sup>	2024	3,858	2,518
State Water Resources Control Board, issued February 28, 2007	1.89 <sup>2</sup>	2026	11,068	7,987
Department of Health Services, issued May 30, 2011	2.31 <sup>2</sup>	2032	12,000	11,278
Department of Health Services, issued January 1, 2012	2.31 <sup>2</sup>	2032	20,000	18,797
Department of Health Services, issued January 1, 2012	2.50 <sup>2</sup>	2032	18,000	17,297
State Water Resources Control Board, issued February 17, 2012	2.70 <sup>2</sup>	2034	11,452	11,452
Department of Health Services, issued July 10, 2012	2.20 <sup>2</sup>	2033	13,022	13,022
Department of Health Services, issued January 29, 2013	2.093 <sup>2</sup>	2034	1,482	1,482
Department of Health Services, issued January 29, 2013	2.093 <sup>2</sup>	2034	2,206	2,206
State Water Resources Control Board, issued June 26, 2013	2.20 <sup>2</sup>	2034	2,858	2,858
<b>Total Loans Payable</b>				<u>145,330</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, 2013</u>
<b>Bonds Payable:</b>				
Senior Sewer Revenue Bonds, Series 2009 A	2.0-5.375 <sup>1</sup>	2039	\$ 453,775	\$ 410,240
Senior Sewer Revenue Refunding Bonds Series 2009 B	3.0-5.5 <sup>1</sup>	2025	634,940	502,185
Water Revenue Refunding Bonds, Series 2009 A	2.5-5.25 <sup>1</sup>	2039	157,190	152,735
Water Revenue Bonds, Series 2009 B	2.5-5.75 <sup>1</sup>	2040	328,060	311,870
Senior Sewer Revenue Refunding Bonds Series 2010 A	5.25 <sup>1</sup>	2029	161,930	161,930
Water Revenue Refunding Bonds, Series 2010 A	5.0-5.25 <sup>1</sup>	2029	123,075	123,075
Water Revenue Refunding Bonds, Series 2012 A	2.0-5.0 <sup>1</sup>	2033	188,610	<u>188,610</u>
<b>Total Bonds Payable</b>				<u>1,850,645</u>
<b>Estimated Landfill Closure and Postclosure Care</b>				22,565
<b>Net Other Postemployment Benefits Obligation</b>				54,169
<b>Net Pension Obligation</b>				<u>23,076</u>
<b>Total Business-Type Activities Long-Term Liabilities</b>				<u>\$ 2,120,822</u>

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

<sup>2</sup> Effective rate.

b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2013, including interest payments to maturity, are as follows:

Year Ending June 30	Loans Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2014	\$ 8,151	\$ 2,440	\$ 72,335	\$ 92,269
2015	8,319	2,272	75,370	89,240
2016	8,490	2,100	79,255	85,847
2017	8,665	1,925	82,205	82,127
2018	8,844	1,746	86,410	78,104
2019-2023	41,011	5,983	494,015	322,840
2024-2028	19,772	2,438	427,810	199,434
2029-2033	11,058	561	252,635	107,979
2034-2038	-	-	210,295	51,207
2039-2043	-	-	70,315	3,721
Unscheduled <sup>1</sup>	31,020	-	-	-
<b>Total</b>	<b>\$ 145,330</b>	<b>\$ 19,465</b>	<b>\$ 1,850,645</b>	<b>\$ 1,112,768</b>

<sup>1</sup> The loans payable to State Water Resources Control Board in the amount of \$14,310 and loans payable to Department of Health Services in the amount of \$16,710 do not have a fixed annual repayment schedules until construction of project is completed and final billing submitted.

c. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013. 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	\$ 34	\$ 26	\$ -	\$ 60	\$ -
Compensated Absences	13,124	12,263	(12,040)	13,347	6,330
Liability Claims	11,247	4,565	(4,182)	11,630	3,671
Loans Payable	125,406	27,910	(7,986)	145,330	8,151
Revenue Bonds Payable	1,919,920	-	(69,275)	1,850,645	72,335
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	69,184	-	(4,054)	65,130	4,053
Net Revenue Bonds Payable	1,989,104	-	(73,329)	1,915,775	76,388
Estimated Landfill Closure/Postclosure Care	21,743	822	-	22,565	-
Net Other Postemployment Benefits Obligation	54,833	-	(664)	54,169	-
Net Pension Obligation	23,300	-	(224)	23,076	-
<b>Totals</b>	<b>\$ 2,238,791</b>	<b>\$ 45,586</b>	<b>\$ (98,425)</b>	<b>\$ 2,185,952</b>	<b>\$ 94,540</b>



d. Long-Term Pledged Liabilities

Business-type activities long-term pledged liabilities as of June 30, 2013 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>Pledged Net Sewer Systems Revenue:</b>				
<b>Loans</b>				
State Water Resources Control Board, issued February 9, 2000	2020	\$ 4,457	\$ 637	\$ 637
State Water Resources Control Board, issued February 9, 2000	2022	3,611	401	401
State Water Resources Control Board, issued March 30, 2001	2022	18,222	2,025	2,025
State Water Resources Control Board, issued May 17, 2001	2022	4,181	464	464
State Water Resources Control Board, issued May 17, 2001	2021	412	52	52
State Water Resources Control Board, issued June 11, 2001	2021	1,212	152	152
State Water Resources Control Board, issued October 3, 2002	2020	1,758	251	251
State Water Resources Control Board, issued October 3, 2002	2023	4,841	484	484
State Water Resources Control Board, issued December 14, 2005	2024	7,013	637	637
State Water Resources Control Board, issued October 15, 2006	2024	2,830	257	257
State Water Resources Control Board, issued February 28, 2007	2026	9,087	699	699
State Water Resources Control Board, issued February 17, 2012	2034	11,452	-	-
State Water Resources Control Board, issued July 10, 2012	2033	13,022	-	-
State Water Resources Control Board, issued June 26, 2013	2034	2,858	-	-
<b>Bonds and Notes</b>				
Senior Sewer Revenue Bonds, Series 2009 A	2039	727,986	36,285	34,011
Senior Sewer Revenue Refunding Bonds, Series 2009 B	2025	666,184	57,701	55,275
Senior Sewer Revenue Refunding Bonds, Series 2010 A	2029	272,844	8,501	7,893
<b>Total Pledged Net Sewer Systems Revenue</b>		<u>1,751,970</u>	<u>108,546</u>	<u>103,238</u>

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<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>Pledged Net Water Systems Revenue:</b>				
<b>Loans</b>				
Department of Health Services, issued July 6, 2005	2026	\$ 17,199	\$ 1,376	\$ 1,376
Department of Health Services, issued May 30, 2011	2032	13,921	753	753
Department of Health Services, issued January 1, 2012	2032	23,192	1,254	1,254
Department of Health Services, issued January 1, 2012	2032	21,838	977	977
Department of Health Services, issued January 29, 2013	2034	1,482	-	-
Department of Health Services, issued January 29, 2013	2034	2,206	-	-
<b>Bonds and Notes</b>				
Subordinated Water Revenue Bonds, Series 2002	2033	-	16,829	14,960
Water Revenue Refunding Bonds, Series 2009 A	2039	227,893	8,677	8,553
Water Revenue Bonds, Series 2009 B	2040	586,882	21,735	21,429
Water Revenue Refunding Bonds, Series 2010 A	2029	204,667	6,311	6,056
Water Revenue Refunding Bonds, Series 2012 A	2033	276,958	6,298	6,298
<b>Total Pledged Net Water Systems Revenue</b>		<u>1,376,238</u>	<u>64,210</u>	<u>61,656</u>
<b>Total Pledged Revenues</b>		<u>\$ 3,128,208</u>	<u>\$ 172,756</u>	<u>\$ 164,894</u>

## 7. DISCRETELY PRESENTED COMPONENT UNITS LONG-TERM LIABILITIES (Dollars 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, 2013.

### San Diego Convention Center Corporation

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2013	Due Within One Year
<b>Compensated Absences</b>				\$ 1,155	\$ 981
<b>Notes Payable:</b>					
Fifth Avenue Landing LLC	5.27%	2015	\$ 12,500	12,500	-
San Diego Gas and Electric - Retrocommissioning	0.00%	2014	418	345	218
CG 7600 LLC	0.00%	2023	22	21	2
Successor Agency of the City of San Diego	3.00%	2018	3,000	<u>3,000</u>	<u>-</u>
<b>Total Notes Payable</b>				<u>15,866</u>	<u>220</u>
<b>Total Long-Term Liabilities</b>				<u>\$ 17,021</u>	<u>\$ 1,201</u>

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, simple interest, 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.

SDCCC entered into a Note Purchase Contract with the former RDA 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. As of February 1, 2012, the former RDA was dissolved, designating the City as the Successor Agency of its assets and liabilities. The note payable to the Successor Agency 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.

On April 25, 2012, SDCCC entered into a Financing Loan Agreement at a zero percent per annum rate with San Diego Gas & Electric (SDG&E) for \$418, the proceeds of which were used to apply "retrocommissioning", a systematic process for improving and optimizing a building's operations through reduced energy usage, lengthened equipment life, and improved indoor air quality and occupant comfort. The obligation is payable over 23 equal installments payable through an on-bill financing arrangement through SDCCC's monthly utility bill based on estimated energy cost savings.

On April 15, 2013, SDCCC entered into a commercial lease agreement with CG 7600, LLC (lessor) in which the lessor financed a warehouse capital improvement for SDCCC valued at \$22. The agreement calls for the loan to be

amortized as part of SDCCC's monthly rent over 10 years at a zero percent per annum rate. In the event SDCCC does not exercise the option to extend, the amortized portion becomes payable and due upon termination of the contract.

Annual requirements to amortize long-term debt as of June 30, 2013, are as follows:

Notes Payable		
Year Ending June 30	Principal	Interest
2014	\$ 220	\$ 500
2015	12,629	1,297
2016	2	-
2017	2	-
2018	3,002	637
2019-2023	11	-
Total	<u>\$ 15,866</u>	<u>\$ 2,434</u>

**San Diego Housing Commission**

<b><u>Type of Obligation</u></b>	<b><u>Interest Rate</u></b>	<b><u>Fiscal Year Maturity Date</u></b>	<b><u>Original Amount</u></b>	<b><u>Balance Outstanding June 30, 2013</u></b>	<b><u>Due Within One Year</u></b>
<b>Compensated Absences</b>				\$ 1,649	\$ 1,649
<b>Notes Payable:</b>					
<b>Debts of SDHC</b>					
GE Capital, (Smart Corner & Maya) dated November 2011	6.08%	2027	\$ 15,000	13,058	383
Successor Agency of the Redevelopment Agency of the City of San Diego dated March 1992	0.00% forgivable	2022	696	696	-
Successor Agency of the Redevelopment Agency of the City of San Diego dated March 18, 2010	1.00% forgivable	2065	6,095	5,456	-
State of California, Housing Loan Conversion Program dated March 10, 2013	3.00%	2068	4,555	4,555	-
<b>Debts of the LLCs</b>					
Greystone Servicing Corp, Inc. Fannie Mae (Belden)	7.32%	2040	12,320	11,880	151
Greystone Servicing Corp, Inc. Fannie Mae (Northern)	7.32%	2040	10,810	10,424	132
Greystone Servicing Corp, Inc. Fannie Mae (Central)	7.32%	2040	14,010	13,509	172
PNC Bank, NA FHA (Southern)	3.76%	2046	25,017	24,017	390
PNC Bank, NA FHA (Northern)	3.76%	2046	17,500	16,801	273
PNC Bank, NA FHA (Central)	3.65%	2046	15,726	15,104	249
<b>Total Notes Payable</b>				<u>115,500</u>	<u>1,750</u>
<b>Total Long-Term Liabilities</b>				<u>\$ 117,149</u>	<u>\$ 3,399</u>

In November 2011, SDHC entered into a loan agreement with GE Commercial Finance to refinance the Smart Corner Building, which houses the administrative offices of SDHC. The term of the loan is for 15 years, amortized over 25 years with a fixed interest rate of 6.08% for ten years. In November 2012, SDHC exercised the annual option to pay down the loan in the amount of \$1.5 million.

In May 2013, the State of California loan was renegotiated through the Housing Loan Conversion Program and extended for 55 years to 2068. It now bears an interest rate of 3% with required annual interest payments and potential residual receipt requirements.

SDHC entered into a loan agreement with the former RDA as of March 18, 2010, for the acquisition and rehabilitation of the Hotel Sandford. The loan from the former RDA is a forgivable loan, with a term of 55 years and 1% simple interest. The total approved loan amount is \$6,095 with \$5,456 disbursed as of June 30, 2013.

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 \$37,140. The debt agreement is to obtain financing towards acquiring over 350 affordable housing units in the City. The FNMA loans are nonrecourse obligations of the LLCs and not of the SDHC. Under the terms of the loan agreements, the LLCs agree to pay a fixed interest rate of 7.32% on the life of the loan through the maturity date January 1, 2040.

On August 31, 2010, Northern SDHC FHA LLC, and Southern SDHC FHA LLC entered into debt agreements with PNC Bank, N. A. On September 20, 2010, Central SDHC FHA LLC entered into a debt agreement with PNC Bank, N. A. for the combined total amount of \$58,243. The debt agreements are to obtain financing towards acquiring 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 agree to pay a fixed interest rate not to exceed 4.0% on the life of the loan through the maturity dates of September 1, 2045 and October 1, 2045, respectively.

The American Recovery and Reinvestment Act of 2009 created the new Build America Bond (“BABs”) program. State and local governments receive directly from the U.S. Treasury subsidy payments for a portion of their borrowing costs on Build America Bonds 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, the Northern SDHC FHA LLC and the Southern SDHC FHA LLC loans have been approved as qualified direct subsidy BABs loans. SDHC has received \$816 in fiscal year 2013 subsidy payments.

The annual requirements to amortize such long-term liabilities as of June 30, 2013 are as follows:

Notes Payable		
Year Ending June 30	Principal	Interest
2014	\$ 1,750	\$ 5,657
2015	1,844	5,563
2016	1,941	5,466
2017	2,047	5,359
2018	2,158	5,248
2019-2023	13,392	24,328
2024-2028	20,557	19,903
2029-2033	16,510	14,592
2034-2038	21,754	9,322
2039-2043	17,047	3,603
2044-2068	16,500	4,853
Total	\$ 115,500	\$ 103,894

**8. SHORT-TERM NOTES PAYABLE (Dollars 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 have been 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, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax and Revenue Anticipation Notes	\$ 150	\$ 100,535	\$ (100,685)	\$ -

The \$100,685 FY13 TRANs issue had an effective interest rate of 2.50% and was repaid on June 28, 2013. The beginning balance of \$150 was a FY13 TRAN good faith deposit received in June 2012.

**9. JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION (Dollars in Thousands)**San Diego Workforce Partnership

The City and the County 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 and the County. SanGIS is governed by a Board of Directors consisting of one voting member from the City and one from the County. The Board approves the annual budget and fiscal audit, sets long range plans and strategic goals, and authorizes major project funding. All initiatives and decisions must be approved by a consensus of both members of the Board before being implemented. 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 (Dollars in Thousands)**

The City leases various properties and equipment. Leased property having elements of ownership are recorded as capital leases and reported as capital assets in the government-wide 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, 2013 through October 1, 2023 and interest rates ranging from 1.22% to 5.00%. A schedule of future minimum lease payments under capital leases as of June 30, 2013 is provided in Note 5. The value of all governmental capital leased assets as of June 30, 2013 is \$81,050, net of accumulated depreciation of \$48,746. These amounts are categorized by major asset class in the table below.

Values of Capital Leased Assets by Major Asset Class			
	Gross		Net Book
	Value	Depreciation	Value
<b>Governmental</b>			
Equipment	\$ 126,162	\$ (47,103)	\$ 79,059
Structures & Improvements	3,634	(1,643)	1,991
<b>Total Governmental</b>	<u>\$ 129,796</u>	<u>\$ (48,746)</u>	<u>\$ 81,050</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, 2013:

Year Ending	Amount
June 30	
2014	\$ 8,717
2015	2,268
2016	2,075
2017	2,100
2018	2,174
2019-2023	3,022
Total	<u>\$ 20,356</u>

Rent expense, as related to operating leases, was \$11,556 for the year ended June 30, 2013, of which \$9,565 was reported as governmental activities, \$1,963 as business-type activities and \$28 as fiduciary activities.

Lease Revenues

The City has operating leases for certain land, buildings, and facilities with tenants and concessionaires. Leased capital asset carrying values of approximately \$82,109, 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 Ending June 30	Amount
2014	\$ 38,775
2015	38,004
2016	36,990
2017	34,886
2018	32,975
2019-2023	154,156
2024-2028	141,042
2029-2033	131,694
2034-2038	123,725
2039-2043	117,661
2044-2048	98,525
2049-2053	32,912
2054-2058	12,436
2059-2063	4,090
Total	<u>\$ 997,871</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 \$91,709 for the year ended June 30, 2013, which includes contingent rentals of \$51,822.

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

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

An initiative titled "Comprehensive Pension Reform of San Diego" (Proposition B) was approved by voters on June 5, 2012. Generally, the measure amended the City Charter to provide all new City employees hired on or after the effective date of the amendments, except sworn police officers, with a 401(k)-style defined contribution plan instead of a defined benefit plan. The initiative contains other provisions intended to limit pension costs for existing employees by directing the City to seek, through labor negotiations, to limit City employees' compensation used to calculate pension benefits. This limitation on the City's negotiating authority is in effect until June 30, 2018. Pensionable pay increases may be authorized with a 2/3 vote of the City Council following preparation of an actuarial report that discloses the impact of any proposed increases in compensation or benefits on the City's Pension Plan. In fiscal year 2013, the City reached five year agreements with each of the employee's collective bargaining units for non-pensionable compensation increases for fiscal years 2014 through 2018.

Proposition B resulted in increased costs to the City of \$27,000 for fiscal year 2014. This is largely a result of the closing of the non-Police portion of the Pension Plan and the use of the level dollar amortization method for the non-Police Unfunded Actuarial Accrued Liability (UAAL) used by the actuary in calculating the Annual Required Contribution (ARC). Proposition B did not increase the City's UAAL.

Proposition B is the subject of ongoing litigation before the California Public Employment Relations Board (PERB). On February 11, 2013, a PERB administrative law judge issued a proposed decision finding that the City violated state labor laws by failing to meet and confer with City labor organizations prior to placing Proposition B on the ballot. The City has filed exceptions to the proposed decision, which will be reviewed by the full PERB board. The decision of the PERB board may also be appealed to the Fourth District Court of Appeal. This litigation may delay or preclude the implementation of some or all of the Proposition B amendments to the City Charter.

The California Public Employees' Pension Reform Act of 2013 (PEPRA) became effective on January 1, 2013. San Diego is a charter city and exempt from PEPRA. Since SDCERS administers the retirement plan under the San Diego City Charter and Municipal Code for the City's employees, PEPRA has no effect on the City's plan or members.

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

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 initially hired before July 20, 2012 working half-time or greater and sworn police officers and all 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 pursuant to GASB Statement No. 14; however, the financial statements of the

SDCERS Pension Trust do include the Port and the Airport activity and are reported in the fiduciary funds section of this report.

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

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

Final compensation is based upon either the highest salary earned over a consecutive twelve month period 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 Pension Plan requires ten years of service at age 62 for general members (55 for safety members) or 20 years of service at age 55 for general members (50 for safety members), which could include certain service purchased or service earned at a reciprocating government entity. 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 Pension Plan can retire earlier than the age of 55; however, their retirement allowance is reduced by 2.0% for each year under the age of 55.

#### Deferred Retirement Option Plan (DROP)

The DROP is a program designed to allow members an alternate method of accruing additional retirement benefits from the Pension Plan while they continue to work for the City. Only members hired before July 1, 2005 are eligible to participate in the DROP. A member must be eligible for a service retirement to enter the DROP. In addition, the member must agree to participate in the program 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 the DROP is irrevocable.

Upon entering the DROP, the participant stops making pension contributions to SDCERS and stops earning service credit. Instead, amounts equivalent to the participant's retirement benefit plus additional DROP contributions are credited to an interest bearing individual account held in the participant's name. While participants were employed by the City, the annual interest credited to the DROP participant accounts was 1.9% for the first two quarters of fiscal year 2013 and 1.2% for the last two quarters. When the participant leaves the 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 in the first half of fiscal year 2013 was 4.4% and 3.3% in the second half. Outstanding liabilities for the DROP are shown on the statement of fiduciary net position in the basic financial statements. During the period of participation, the participant continues to receive employer offered benefits available to regular employees with exception to earning service credit, as previously discussed.

### Purchase of Service Credits

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

### Preservation of Benefits Plan (POB Plan)

The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). As provided in SDMC section 24.1606 and required by federal tax law, the POB Plan is unfunded within the meaning of the federal tax laws. The City may not pre-fund the POB Plan to cover future liabilities beyond the current year as it can with an IRC section 401(a) pension plan. 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 2013, approximately \$1,572 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 Pension Plan participants who exceed the current year's section 415(b) limitations as calculated by SDCERS' actuary. The maximum annual participant payment from a defined benefit plan for the calendar year 2013 was \$205 and, for non-safety members, is adjusted downward depending on the age of the participant when benefits began. In fiscal year 2013, the City's POB Plan pension cost was approximately \$1,289; however, the City contributed approximately \$1,572 to the POB Plan, and therefore, the \$283 difference decreased the City's Net Pension Obligation (NPO). Financial statements for the POB Plan are included in the fiduciary funds 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 Pension Plan. See Note 1(e) for additional disclosures on SDCERS' method used to value investments.

## c. Offset Agreements

The City has historically negotiated employee retirement contribution offset agreements with certain employee groups, which have required the City to pay a portion of the employees' retirement contributions. In recent years, such offsets have been reduced and for fiscal year 2013, the City paid retirement contribution offsets of 2.3% for eligible members of Teamsters Local 911, which represents employees in the lifeguard service, and 0.4% for eligible members of the Municipal Employees Association, which represents white collar employees. Offset payments for fiscal year 2013 amounted to approximately \$772 in the aggregate.

## d. Funding Policy and Contribution Rates

City Charter Article IX Section 143 requires employees and employers to contribute to the Pension Plan. The Charter section stipulates that funding obligations of the City shall be determined by the Board of SDCERS and are not subject to modification by the City. The section also stipulates that under no circumstances may the City and Board enter into any multi-year funding agreements that delay full funding of the Pension Plan. The 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.

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. The entire expense of SDCERS' administration is charged against the earnings and Pension Plan assets of SDCERS.

The following table shows the City's contribution rates (weighted average of each employee group) for fiscal year 2013, based on the June 30, 2011 actuarial valuation, expressed as percentages of expected payroll:

	<u>Employer Contribution Rates</u>	
	<u>Non-Safety Members</u>	<u>Safety Members</u>
Normal Cost	9.11%	13.94%
Amortization Payment <sup>1</sup>	29.60%	45.82%
Normal Cost Adjusted for Amortization Payment <sup>1</sup>	38.71%	59.76%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	37.34%	57.64%

<sup>1</sup> 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 Pension Plan on a biweekly basis. Rates vary according to entry age. For fiscal year 2013, the City employee weighted average contribution rates as a percentage of annual covered payroll was 9.87% for general members and 15.45% for safety members.

In accordance with Chapter 2, Article 4, Division 15 of the SDMC, earnings in excess of those earned using the assumed actuarial rate of return 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, Pension Plan assets are used to credit interest, at a rate determined by the SDCERS Board, which was 7.5% for fiscal year 2013, to the Employer and Employee Contribution Reserves and 1.2% to the DROP member accounts. Second, Pension Plan assets are used to fund the SDCERS Annual Budget. Third, Pension Plan assets are distributed for supplemental or contingent payments or transfers to reserves. These items include in priority order: 1) Annual Supplement Benefit Payment (13th Check) paid to retirees, 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 Pension Plan's funding status as reported in the June 30, 2012 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)
6/30/2012	\$ 4,982,442	\$ 7,261,731	\$ 2,279,289	68.61%	\$ 511,091	445.97%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of Pension 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 2013 is based on the SDCERS June 30, 2011 Actuarial Valuation. The following table summarizes the principal actuarial methods and assumptions used in the June 30, 2011 and June 30, 2012 actuarial valuations:

Description	Method/Assumption for the Valuation Ended	
	June 30, 2011	June 30, 2012
Actuarial Method <sup>1</sup>	Entry Age Normal (EAN)	Entry Age Normal (EAN)
Amortization Method	Level Percent Closed	Level Percent Closed
Equivalent Single Amortization Period	15.789 years <sup>2</sup>	15.117 years <sup>3</sup>
Asset Smoothing Method	Expected Value Method	Expected Value Method
Annual Rate of Return on Investments	7.50%, net of administrative expenses	7.50%, net of administrative expenses
Inflation Rate	3.75% per year, compounded annually <sup>4</sup>	3.75% per year, compounded annually <sup>4</sup>
Cost of Living Adjustment	2.00% per year, compounded annually	2.00% per year, compounded annually
Projected Salary Increases Due to Inflation	0% for the next 2 years, 3.75% thereafter	0% for the next year, 3.75% thereafter

<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> 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.

<sup>3</sup> 15 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 and 15 years for the closed plan portion of the UAL as of June 30, 2012.

<sup>4</sup> Following a salary freeze for FY 2013 and FY 2014. Additional merit salary increases of 0.50% to 8.00% based on a participant's years of service, and membership group are also assumed. These increases are not used in the amortization of the City's UAL.

The actuarial value of assets was determined using a methodology that smoothes the effects of short-term volatility in the market value of investments. For valuations effective June 30 2007, the Board adopted a 20-year closed amortization schedule with no negative amortization and a 15-year closed amortization schedule for gains



and losses beginning in fiscal year 2008 (See Note 24 regarding recent changes to actuarial methods and assumptions).

The following table shows the City's annual pension cost (APC) and the percentage of APC contributed for the fiscal year ended June 30, 2013 and two preceding years (dollars in thousands):

Fiscal Year Ended June 30	APC	Percentage Contributed	Net Pension Obligation
2011	\$ 231,432	99.56%	\$ 141,242
2012	232,349	100.21%	140,763
2013	231,530	100.49%	139,621

### Net Pension Obligation

Net Pension Obligation (NPO) is the cumulative difference between the annual pension cost and the employer's contributions to the Pension 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, 2013, the City's NPO is approximately \$139,621 and is reported in accordance with GASB Statement No. 27. See table below.

The change to the NPO is derived by first calculating the City's 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 (dollars in thousands):

	Pension <sup>1</sup>	POB <sup>1</sup>	Total
ARC [Fiscal Year 2013]	\$ 231,100	\$ 1,314	\$ 232,414
Interest on NPO	10,256	302	10,558
ARC Adjustment	<u>(11,115)</u>	<u>(327)</u>	<u>(11,442)</u>
Annual Pension Cost	230,241	1,289	231,530
Contributions [Fiscal Year 2013]	<u>(231,100)</u>	<u>(1,572)</u>	<u>(232,672)</u>
Change in NPO	(859)	(283)	(1,142)
NPO Beginning of Year [July 1, 2012]	<u>136,736</u>	<u>4,027</u>	<u>140,763</u>
NPO End of Year [June 30, 2013]	<u>\$ 135,877</u>	<u>\$ 3,744</u>	<u>\$ 139,621</u>

<sup>1</sup> NPO calculation for Pension Pension Plan and POB Plan were combined under one column in fiscal year 2012.

## DEFINED CONTRIBUTION PLANS

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

Pursuant to the City's withdrawal from the Federal Social Security System effective January 8, 1982, the City established the Supplemental Pension Savings Plan (SPSP). Pursuant to the Federal Government's mandate of a Social Security Medicare tax for all employees not covered by Social Security hired on or after April 1, 1986, the City established the Supplemental Pension Savings Plan-Medicare (SPSP-M). The SPSP and SPSP-M were merged into a single plan (SPSP) on November 12, 2004 for administrative simplification, without a change in benefits. Pursuant to the requirements of the Omnibus Budget Reconciliation Act of 1990 (OBRA-90) requiring employee coverage under a retirement system in lieu of coverage under the Federal Insurance Contributions Act (FICA) effective July 1, 1991, the City 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, 2013:

<u>Plan</u>	<u>Participants</u>
SPSP	7,044
SPSP – H	4,501

The SPSP requires that both the employee and the City contribute an amount equal to 3% of the employee's total salary each pay period. Participants in the plan hired before July 1, 1986 may voluntarily contribute up to an additional 4.5% and participants hired on or after July 1, 1986 may voluntarily contribute up to an additional 3.05% of total salary, with the City matching each. Hourly employees contribute 3.75% on a mandatory basis, which is also matched by City contributions.

Under the SPSP, the City's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service at a rate of 20% for each year of service. Hourly employees are immediately 100% vested. The unvested portion of City contributions and interest forfeited by employees who leave employment before five years of service are used to reduce the City's SPSP Plan cost.

In fiscal year 2013, the City and the covered employees contributed \$19,687 and \$19,715, respectively. As of June 30, 2013, the fair value of plan assets totaled \$586,728. SPSP, which includes SPSP-H, is considered part of the City's financial reporting entity and is reported as a pension trust fund.

**Defined Contribution Plan under Proposition B**

Proposition B amended the City Charter to provide all new City employees initially hired on or after July 20, 2012, except sworn police officers, with a 401(k)-style defined contribution plan. Due to ongoing litigation regarding Proposition B, the City has not established a new plan for eligible employees. Rather, it has used the SPSP-H, an existing 401(a) plan, to contribute funds to eligible employees in accordance with the SPSP-H plan provisions. The City will continue to contribute funds to such employees through the SPSP-H, pending resolution of Proposition B litigation.

**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 \$317 and \$368, respectively, during the year ended June 30, 2013. As of June 30, 2013, the fair value of plan assets totaled \$1,404. The 401(a) Plan is considered part of the City's financial reporting entity and is reported as a pension trust fund.

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

The City 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 \$14,914 during the year ended June 30, 2013. There is no City contribution towards the 401(k) Plan.

As of June 30, 2013, the fair value of plan assets totaled \$293,524. The 401(k) Plan is considered part of the City's financial reporting entity and is reported as a pension trust fund.

*Narratives presented in the following sections (d. through g.) are taken directly from the fiscal year 2013 comprehensive annual financial reports of the corresponding entity (certain terms have been modified to conform to the City's CAFR presentation).*

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

CSD had a Money Purchase Pension Plan, subject to the Employee Retirement Income Security Act (ERISA) under IRC section 401(a), covering all full-time permanent employees. The plan was a defined contribution plan under which benefits depend solely on amounts contributed by CSD to the plan plus investment earnings. Employees were eligible to participate on the first day of the month following 90 days after their date of employment. During the year, CSD contributed semi-monthly an amount equal to 8% of the total semi-monthly compensation for all full-time permanent employees. Effective July 6, 2012, CSD terminated the Money Purchase Pension Plan. All affected participants were fully vested at the time of the Plan termination. Direction from the CSD's Board of Directors to reduce retirement plan contributions and overall costs prompted this action.

CSD has a Tax Deferred Annuity Plan under section 403(b) of the Internal Revenue Code of 1986 covering all full-time permanent employees. The plan is a defined contribution plan under which benefits depend solely on amounts contributed to the plan by the employer and the employees, plus investment earnings. All full-time permanent employees are eligible to participate on the first day of their hired date an amount equal to 7.5% of their semi-monthly compensation. Effective on the first payroll following three months of employment, CSD contributes an amount equal to 12% of the total semi-monthly compensation for all full-time permanent employees. CSD's contributions for each employee are fully vested at the time of contribution. The Tax Deferred Annuity Plan includes amounts deposited by employees prior to CSD becoming a contributor to the plan.

CSD's total payroll (excluding benefits) for year ended June 30, 2013 was \$2,264,392. CSD's contributions were calculated using the base salary amount of all full-time permanent employees of \$2,241,603. CSD made the required contribution amounting to \$264,621 for the year June 30, 2013.

The fiduciary responsibilities of CSD consist of making contributions and remitting deposits collected. The pension plan is not a component unit of CSD and is therefore not reported in the basic financial statements.

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

The SDCCC Money Purchase Pension Plan (SDCCC Plan) is a governmental plan under IRC section 414(d), which was established effective January 1, 1986, by SDCCC's Board of Directors. The SDCCC Plan is administered by SDCCC through a Pension Committee, represented by the SDCCC Board and staff, who act by a majority of its members in office to carry out the general administration of the plan. Any recommended plan amendments are subject to the approval and adoption by SDCCC's Board of Directors. As part of the SDCCC Plan, SDCCC through Board action selected Wells Fargo as Trustee, to hold and administer plan assets subject to the terms of the SDCCC Plan. The SDCCC Plan is a qualified defined contribution plan and as such, benefits depend on amounts contributed to the plan plus investment earnings less allowable plan expenses. The SDCCC Plan covers all employees who have completed at least 1,000 or more hours in one year and are not covered through a union retirement plan. Employees are eligible to participate in the SDCCC Plan on the first day of the month after completion of 1,000 hours of service during the twelve-month period beginning from the employees hire date (or during any subsequent plan year). For each plan year, SDCCC contributes 10% of compensation paid after becoming an eligible participant, which is transferred to the fund on behalf of each qualifying individual.

A SDCCC Plan year is defined as a calendar year. The balance in the SDCCC Plan for each eligible employee is vested gradually over five years of continuing service with an eligible employee becoming fully vested after five years. Forfeitures and SDCCC Plan expenses are allocated in accordance with SDCCC Plan provisions. A trustee bank holds the SDCCC Plan assets.

For the year ended June 30, 2013, pension expense amounted to \$1,083, with no employee contributions made to the SDCCC Plan. SDCCC records pension expense during the fiscal year based upon employee compensation that is included in gross income covered compensation.

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

f. **Pension Plan - San Diego Data Processing Corporation**

SDDPC administers a Money Purchase Pension Plan (SDDPC 401(a) Plan), which is a defined contribution plan covering all employees of SDDPC who are eligible for membership as defined by the plan document. The SDDPC 401(a) Plan is intended to be a "governmental plan" as defined in section 411(e)(1)(A) and section 414(d) of the IRC and section 3(32) of the Employee Retirement Income Security Act of 1974 (ERISA). The SDDPC 401(a) Plan operates under the authority of section 401(a) of the IRC as well as under the direction of the SDDPC Board of Directors.

Upon employment and any re-employment, employees may become a member of the SDDPC 401(a) Plan. The SDDPC 401(a) Plan is an alternative plan to Social Security, and members do not contribute to Social Security under the Omnibus Budget Reconciliation Act of 1991. SDDPC contributes 20% of plan defined eligible wages for each participant in the plan. SDDPC contributions for each employee are fully vested after four years of continuous service. SDDPC also administers a Tax Sheltered Annuity Plan (SDDPC 403(b) 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 in the SDDPC 403(b) Plan. The SDDPC 403(b) Plan operates under the authority of IRC section 403(b)(7) as well as under the direction of the SDDPC Board of Directors. Upon employment and any re-employment, employees may become a member of the SDDPC 403(b) Plan. There are no employer contributions to the SDDPC 403(b) Plan. SDDPC 403(b) plan members contributed \$346 for the year ended June 30, 2013.

SDDPC made the required 20% contribution to the SDDPC 401(a) Plan, amounting to \$1,497 for the year ended June 30, 2013. Plan members voluntarily contributed \$32 to the SDDPC 401(a) Plan for the year ended June 30, 2013.

The City does not act in a trustee or agency capacity for the SDDPC 401(a) Plan or the SDDPC 403(b); therefore, these assets are not reported within the City's basic financial statements.

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

SDHC provides pension benefits for all its full-time employees through a defined contribution plan (SDHC Plan). The SDHC Plan is a qualified pension plan under Section 401 of the IRC and is therefore exempt from all Federal income and California franchise taxes. The plan is an alternative to Social Security under the Omnibus Budget Reconciliation Act of 1991. The Plan includes both a pension provision and a voluntary tax sheltered annuity provision under §401(a) (1) and §401(a) (4) of the IRS code.

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 SDHC's current-period contribution requirement.

The SDHC Plan is administered by SDHC and the outside recordkeeping is done by Diversified. SDHC has the authority to establish and amend the provisions of the SDHC Plan including the contribution requirements with the approval of the Board of Commissioners. The SDHC Plan is audited by an outside firm and a copy of the report can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, California 92101.

SDHC's covered payroll in fiscal year 2013 was \$15,691. SDHC made the required 14% contribution, amounting to \$2,197 and plan members contributed \$116 for the fiscal year ended June 30, 2013.

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.

**13. OTHER POSTEMPLOYMENT BENEFITS (Dollars 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 and 29.0101 through 29.0103. The Other Postemployment Benefit Plan (OPEB Plan), which includes approximately 6,162 retirees, 6,382 active employees and 729 terminated vested members as of June 30, 2013, is comprised of defined benefit and defined contribution options. Plan selection is based on hire date, retire date and individual employee elections. The City's defined benefit portion of the OPEB Plan is closed to employees hired on or after July 1, 2005.

Employees retiring after June 30, 2011 are entitled to an Annual Inflation (described below) with exception of members of the Police Officers Association (POA) and Local 127.

**Defined Benefit Plan**

The defined benefit portion of the OPEB Plan is primarily for health eligible retirees, not inclusive of dependents, who were actively employed on or after October 5, 1980, but before April 1, 2012, and were otherwise entitled to retirement allowances. Additionally, employees in the defined benefit plan 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 \$9,700<sup>1</sup> per year depending on retirement date, in addition to reimbursement/payment for Medicare Part B premiums, ranging from \$1,200<sup>1</sup> to \$1,400<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 \$10,300<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.

**Defined Contribution Plan**

The City also provides two defined contribution OPEB Plan options to eligible employees. For employees hired prior to July 1, 2005 and who elected to participate in the plan, the City provides a lump sum benefit to members when they become service and age eligible for retirement benefits (Option C Plan). There is no member contribution to this plan.

For general members hired after July 1, 2009, the City established a trust vehicle for a defined contribution plan (Medical Trust Plan), which requires a mandatory employee contribution of 0.25% of gross salary with a corresponding 0.25% match by the City. Contributions to these defined contribution plans are reported in an agency fund, as the City does not administer them and simply passes through contribution amounts to the plan administrators. Elected and safety members are ineligible for this plan.

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

b. Summary of Significant Accounting Policies

*Basis of Accounting* - The postemployment healthcare benefit plan 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* – The California Public Employees' Retirement System (CalPERS), which administers the retirement benefits trust described below as an agent multiple-employer plan, states investments at fair value. Certain real estate and alternative investments are reported at net asset value, are audited annually and may be periodically appraised by an independent third party. CalPERS issues a publicly available CAFR that includes financial statements and required supplementary information for the CalPERS Employers Retirement Benefits Trust (CERBT).

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. Member contributions to the OPEB Plan are dependent upon plan election. In addition, members are required to pay for the benefits of their beneficiaries (amounts vary based on coverage elections).

In addition to pay-as-you-go funding of benefits of current retirees and beneficiaries, the City also pre-funds future postemployment healthcare benefits for active members through an investment trust administered by CalPERS. The 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 contribute \$57,782 to the postemployment healthcare benefit plan annually through fiscal year 2015, excluding contributions made to the defined contribution Medical Trust Plan (for General members hired after July 1, 2009). This contribution is allocated to the various components of the plan based on the following priority order: (1) fund current year pay-as-you-go postemployment healthcare benefits, including administrative costs; (2) fund contributions to the defined contribution Option C Plan; and (3) contribute the residual balance to the CERBT.

In fiscal year 2013, the City contributed a total of \$57,872 to the postemployment healthcare benefit plan as follows: (1) \$37,464 was contributed to the defined benefit plan, including \$35,644 to the pay-as-you-go component and \$1,820 to the CERBT; (2) \$19,679 was contributed to the defined contribution plan; and (3) \$90 was contributed to the defined contribution Medical Trust Plan. In addition, administrative costs of the pay-as-you-go component were \$639.

All contributions to the CERBT become trust assets, which can only be used to pay for expenses of the defined benefit plan. As of June 30, 2013, the fair value of the City's assets invested in the CERBT was approximately \$113,404. This balance is net of all contributions to and distributions from the plan, as well as fiscal year 2013 annual investment gains and administrative expenses amounting to approximately \$9,154 and \$166, respectively.



d. Funded Status and Funding Progress

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

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll <sup>1</sup> (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/13	\$ 113,404	\$ 557,551	\$ 444,147	20.34%	\$ 112,782	393.81%

<sup>1</sup> Includes payroll for active employees in the defined benefit options only.

The schedules, presented as required supplementary information following the notes to the financial statements, present information regarding the funded 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 23 year period commencing with fiscal year 2014.

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 2013 (actuarial valuation as of June 30, 2012), as well as for the most current actuarial valuation (as of June 30, 2013):

Description	Method/Assumption	
	June 30, 2012	June 30, 2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar	Level Dollar
Remaining Amortization Period	30 years, open	23 years, closed
Actuarial Asset Valuation Method	Market Value	Market Value
Discount Rate	7.06%	6.81%
Inflation Rate	N/A <sup>1</sup>	N/A <sup>1</sup>
Projected Payroll Increases	N/A <sup>1</sup>	N/A <sup>1</sup>
Health Care Cost Trend Rate	FY12 9.0% grading down 0.5% each year to 4.5%	FY13 8.5% grading down 0.5% each year to 4.5%

<sup>1</sup> 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



The table on the previous page reflects changes to some of the actuarial assumptions used in fiscal year 2012. The revised discount rate was adopted to be consistent with the CalPERS economic assumptions for participation in the CERBT. Additionally, the UAAL was previously being amortized over an open thirty years using the level dollar amortization method. For the fiscal year 2013 valuation, the actuary used a closed 23-year period, commencing with fiscal year 2014. This change is intended to result in the ARC for the current fiscal year to be greater than the expected pay-as-you-go costs. It is also intended to generally limit required funding to the work life of existing members of this closed plan. It is meant to be consistent with pre-funding of the benefits so that the valuation can use a discount rate based on pre-funding rather than payment of benefits directly out of the City's general assets.

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

The following table presents the annual NOPEBO cost, the percentage of annual NOPEBO cost contributed during the fiscal year, and the NOPEBO at the end of fiscal year 2013, as well as for the two preceding fiscal years:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
06/30/11	\$ 123,534	47.65%	\$ 217,297
06/30/12	54,027	44.16%	247,467
06/30/13	34,078	109.94%	244,081

The following table shows the calculation of the City's NOPEBO for the fiscal year ended June 30, 2013 (based on the valuation as of June 30, 2012):

ARC [Fiscal Year 2013]	\$ 35,348
Interest on NOPEBO	17,470
ARC Adjustment	<u>(18,740)</u>
Annual OPEB Cost	34,078
Contributions [Fiscal Year 2013]	<u>(37,464)</u>
Change in NOPEBO	(3,386)
NOPEBO Beginning of Year [July 1, 2012]	<u>247,467</u>
NOPEBO End of Year [June 30, 2013]	<u><u>\$ 244,081</u></u>

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

Interfund Working Capital Advance (WCA) balances are the result of loans between funds (recorded as advances to/from other funds) that are expected to be repaid in excess of one year. The \$7,418 balance is comprised of a \$1,693 advance from the General Fund to Civic San Diego mainly for administrative costs, \$5,125 advanced from the Other Construction Fund to Civic San Diego for various construction projects, and a \$600 advance from the Capital Outlay Fund to the Other Construction Fund for energy upgrades to be reimbursed by the California Energy Commission upon project completion.

Contributing Fund (Receivable)	Benefitting Fund (Payable)
	NonMajor Governmental
NonMajor Governmental	\$ 7,418

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.

Interfund transfer balances for the year ended June 30, 2013 are as follows:

Contributing Fund	Benefitting Fund						Total
	General Fund	Nonmajor Governmental	Sewer Utility	Water Utility	Nonmajor Enterprise	Internal Service	
General Fund	\$ -	\$ 61,665	\$ -	\$ -	\$ -	\$ 13,013	\$ 74,678
Nonmajor Governmental	85,228	132,842	275	1,234	1	664	220,244
Sewer Utility	8,208	24	-	-	-	1,346	9,578
Water Utility	8,151	17	-	-	-	579	8,747
Nonmajor Enterprise	1,978	566	-	-	567	836	3,947
Internal Service	1,790	2,530	92	51	40	101	4,604
Total	<u>\$ 105,355</u>	<u>\$ 197,644</u>	<u>\$ 367</u>	<u>\$ 1,285</u>	<u>\$ 608</u>	<u>\$ 16,539</u>	<u>\$ 321,798</u>

**15. RISK MANAGEMENT (Dollars in Thousands)**

The City is exposed to various risks of loss related to torts, including theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City 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 \$3,000.

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, an Internal Service 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, 2013 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, Water Utility Fund, and government-wide financial statements.

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, 2011	\$ 157,623	\$ 171,649	\$ 329,272
Claims and Changes in Estimates	14,990	29,027	44,017
Claim Payments	(18,495)	(26,196)	(44,691)
Transfer to Successor Agency	(39,200)	-	(39,200)
Balance, June 30, 2012	114,918	174,480	289,398
Claims and Changes in Estimates	64,285	73,325	137,610
Claim Payments	(24,186)	(26,535)	(50,721)
Balance, June 30, 2013	<u>\$ 155,017</u>	<u>\$ 221,270</u>	<u>\$ 376,287</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, grant requirements, 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 2013, 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 POSITION DEFICITS (Dollars in Thousands)**

The Capital Outlay Capital Projects Fund has a fund balance deficit of \$8,435, which represents unearned revenue related to cash advanced to the City from the San Diego Unified School District (SDUSD) for a 40 year lease of the sixth and seventh floor of the New Main Library. The cash was used for capital expenditures related to the construction of the New Main Library. Revenue will be recognized over the life of the lease term which will begin in fiscal year 2014.

The Development Services Enterprise Fund and Publishing Services Internal Service Fund have net position deficits of \$8,473 and \$368, respectively. These deficits are primarily due to the accumulation of unfunded expenses related to long-term liabilities such as the NPO and NOPEBO. Generally, the NPO and NOPEBO liabilities are reduced yearly as the City continues to fully pay its ARC for the Pension and OPEB Plan, which includes amortized payments of the unfunded actuarial accrued liability for both plans (see notes 12 and 13).

The Self Insurance Internal Service Fund has a net position deficit of \$145,348, which include public liability, workers compensation and long-term disability estimated liabilities as of June 30, 2013, based on results of independent actuarial valuations. 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 and from insurance proceeds (see Note 15). The City funded the current year's claim settlements through the departments' operating budgets. The City's Reserve Policy calls for a reserve goal of 50% of the actuarial value of outstanding liability claims, smoothed over three years, to be achieved no later than fiscal year 2019.

The Private-Purpose Trust Fund (Successor Agency) has a net position deficit of \$537,744, which represents unfunded liabilities of the former RDA mainly related to long-term debt. Every six months, the Successor Agency submits funding requests to the County, through Recognized Obligation Payment Schedules. Funding is then allocated to the Successor Agency from the County's Redevelopment Property Tax Trust fund to satisfy obligations of the corresponding six month period. As obligations are funded every six months and liabilities are paid, the net position deficit will continue to decrease until being eliminated once all the obligations of the Successor Agency are fully satisfied.

**17. COMMITMENTS (Dollars in Thousands)**

The City has contractual and regulatory commitments that will result in expenses/expenditures in future years. These include contractual commitments for which funds have been encumbered as of June 30, 2013 and are reflected in the table below. Additional commitments resulting from regulatory matters are described following the table.

General Fund	\$ 8,280
Other Governmental Funds	98,022
Sewer Utility	85,961
Water Utility	65,033
Other Enterprise Funds	11,447
Total Contractual Commitments	<u>\$ 268,743</u>

California Regional Water Quality Board Administrative Proceeding – Municipal Storm Water Permit

On May 8, 2013, the Regional Water Quality Control Board (RWQCB), the State agency charged with implementing the federal Clean Water Act, incorporated Total Maximum Daily Loads (TMDLs) into the City's Municipal Storm Water Permit in order to limit pollution in the San Diego region watersheds (Order No. R9-2013-0001). A TMDL is a numeric limitation on the maximum amount of a pollutant that a natural body of water can legally receive while still meeting water quality standards under the Clean Water Act. By incorporating the TMDLs into the Municipal Storm Water Permit, the RWQCB made numeric measurements of pollutants a basis for enforcing violations of the Municipal Permit, and not solely on the basis of the City failing to control pollutants to the maximum extent practical. Additionally, the permit also requires that the City implement a schedule of operation and maintenance activities and verify proper operation of all municipal structures in order to minimize the possibility of erosion and sedimentation due to pipe and other system failures. The City Storm Water Division's estimated operating and capital costs to comply with the TMDLs and with flood risk management from fiscal years 2014 through 2018 are approximately \$710,000. Compliance costs from fiscal years 2019 through 2031 are expected to be up to approximately \$3,250,000, of which an estimated \$2,170,000 are projected capital expenditures and \$1,080,000 are operating expenditures. These estimates could be higher or lower depending on numerous factors including but not limited to changes in regulatory standards, science and technology.

The City Storm Water Division's estimated costs to comply with the TMDLs are significantly higher compared to current expenditure levels. Budgeted expenditures for Fiscal Year 2014 are approximately \$62,060. The City uses storm drain fee revenue collected in the General Fund for the purpose of offsetting the General Fund contribution for storm water operations. However, this revenue source presently falls significantly short of full cost recovery. If no alternate funding sources are established, increased compliance costs will likely be paid by the General Fund. If compliance activities are deferred to later fiscal years, the City would risk falling into non-compliance. The Storm Water Permit contains regulatory deadlines including (1) compliance with Areas of Special Biological Significance Structural Controls by March, 2018; (2) Bacteria reduction by April, 2018; and (3) metal reduction in Chollas Creek by October, 2018. Penalties may be assessed for non-compliance, which can amount to \$10 per day per violation from the State, and federal EPA penalties of \$16 per day per violation. Each storm drain outfall that flows to a receiving water body may be assessed as a separate violation. Additionally, should the City fall out of compliance, it could be exposed to litigation from third parties.

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. The Consent Decree required completion of the Capital Improvement Projects (CIP) by June 30, 2013. However a provision of the consent decree allows for the extension of any CIP schedule for up to one year upon written notification to the EPA. The City requested an extension through December 2013. The annual cost of this future commitment is estimated at \$11,392 in capital projects and \$34,946 in operational maintenance to the sewer system during the first half of fiscal year 2014. Sewer Utility expects to fund these commitments through a combination of existing net position, system revenues, and future financing proceeds and loans. Sewer Utility is currently in compliance with the Consent Decree requirements and will fulfill all the terms of the Consent Decree by the end of calendar year 2013.

The City has a condition assessment program and will continue to replace and upgrade its wastewater collection system as dictated by the results of this program. It is anticipated that the City will continue to replace or rehabilitate at least 45 miles of pipeline per year at a cost of \$60,000 per year.

#### 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 spilled into the Penasquitos Creek and ultimately the Los Penasquitos Lagoon. 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.

In fiscal year 2013, the City settled with the California RWQCB and entered into Settlement Order No. 2013-0032. Under this settlement the City agreed to a fine of \$1,245, of which \$622 was paid in fiscal year 2013 and the remaining \$623 was suspended pending the installation of seven emergency backup generators at five separate sewer facilities by June 30, 2015. All seven emergency backup generators were already temporarily installed by the City with the construction on the permanent installation expected to commence in spring of 2014.

#### California Department of Public Health Compliance Order

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

For fiscal years 2014 through 2018, the City estimates Compliance Order project costs to total \$136,110. Water Utility expects to fund these commitments through a combination of existing net position, system revenues, and financing proceeds from future bond issuances or loans. Water Utility expects to substantially fulfill all terms of the Compliance Order by the end of fiscal year 2018.

Additionally, the City plans to continue water main replacement of 23 miles in fiscal year 2014 and 28 miles in fiscal year 2015 at an estimated cost of \$50,000 to \$60,000 per year. The City will continue to evaluate the water main replacement program for the remaining 90 to 100 miles of distribution cast iron mains and initiate a condition assessment program for the 2,100 miles of asbestos concrete water pipeline to determine the appropriate replacement rate for the next 10 years.

**18. CONTINGENCIES (Dollars in Thousands)****FEDERAL AND STATE GRANTS**

The City recognizes as revenue grant monies received as reimbursement for costs incurred related to certain Federal and State programs it administers. Although the City's federal grant programs are audited in accordance with the requirements of the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget Circular A-133, 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 2013 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 1,425 notices of claims in fiscal year 2013.

As of June 30, 2013, the City estimates the amount of tort and non-tort liabilities to be \$155,017, which has been reported in the government-wide statement of net position 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 to \$179,947. 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, 2013.

Additional information on litigation regarding the Pension Plan can be found in the introductory section of Note 12.

**Adverse Fiscal Impacts to the City**

Pursuant to ABX1 26, the former RDA dissolved as of February 1, 2012, at which time the City, as Successor Agency, received the former RDA's assets and assumed the responsibility for winding down the former RDA's operations. The City also chose to serve as the Housing Successor Entity and retain the former RDA's affordable housing assets and assume related responsibilities. A subsequent statute, AB 1484, clarified certain aspects of ABX1 26 and imposed new obligations on all successor agencies aimed largely at expediting the transfer of any uncommitted cash balances of the former RDA to the local county auditor-controller for pro rata distribution to local taxing entities. The Successor Agency is an entity separate from the City and is reported as a private-purpose trust fund even though the City serves as the Successor Agency. The Housing Successor Entity is the City, not a separate legal entity, and reported as a special revenue fund.

The dissolution of the former RDA has resulted in, and is expected to continue to result in, adverse fiscal impacts to the City. Most of the adverse impacts are expected to derive from the general rule in ABX1 26 that purports to invalidate agreements between the City and the former RDA, subject to limited exceptions. The California Department of Finance (DOF) has relied upon this general rule to object to payments owed by the Successor Agency to the City under several agreements between the City and the former RDA.

The redevelopment dissolution laws require an independent accounting firm to complete a two-part due diligence review (DDR) of the housing assets and the non-housing assets of the Successor Agency to determine the amount of



uncommitted cash or cash equivalents available for transfer by the Successor Agency to the County Auditor. The State issued a final determination letter on the housing DDR in late March 2013 and on the non-housing DDR in late October 2013, concluding that the Successor Agency must pay to the County Auditor approximately \$13,300 in housing cash and approximately \$167,250 in non-housing cash (including accrued interest). The \$13,300 housing obligation was paid in fiscal year 2013 from the Successor Agency Private-Purpose Trust Fund and the \$167,250 non-housing obligation was accrued for fiscal year 2013 in the same fund.

The Successor Agency initiated litigation in Sacramento County Superior Court to challenge certain determinations by the State in the housing DDR. In the meantime, the Successor Agency was required to pay the full demanded amount in May 2013, under protest and with a full reservation of rights. In order to make the full payment, the City loaned approximately \$2,300 from the General Fund to the Successor Agency for the housing related items. If the Successor Agency is unsuccessful in the lawsuit, the City's loan of approximately \$2,300 would likely not be repaid. Due to the legal uncertainty of the loan repayment to the General Fund, an allowance for uncollectable loans was established in fiscal year 2013, resulting in a corresponding neighborhood services expenditure of \$2,300 in the General Fund. The Successor Agency paid the full demanded amount under the non-housing DDR in November 2013, under protest and with a full reservation of rights. In order to allow the Successor Agency to make the full payment, the City loaned approximately \$21,100 from the General Fund to the Successor Agency in November 2013. The loan corresponded to certain prior interagency payments that were reversed through the non-housing DDR. The Successor Agency may initiate litigation in Sacramento County Superior Court in the near future to challenge certain determinations by the State in the non-housing DDR. If the Successor Agency is unsuccessful in that lawsuit, the City's loan of approximately \$21,100 would likely not be repaid. A contingent liability has been recorded in the government-wide-statement of net position to reflect probable losses related to certain components of this loan and are included as part of the tort and non-tort liability amount disclosed in the previous page.

In addition to the existing lawsuit regarding the housing DDR and the anticipated lawsuit regarding the non-housing DDR, the City and the Successor Agency have initiated lawsuits in Sacramento County Superior Court to challenge many of the DOF's adverse decisions, and could file additional lawsuits in the future as may be necessary to protect their interests. If these lawsuits are unsuccessful, then the City will be forced to absorb an expense in the form of reimbursements to the Successor Agency of payments previously made to the City under now invalidated agreements, and the City also will be unable to rely on redevelopment funds to make any future payments contemplated by any invalidated agreements. In addition, the City could be compelled to reimburse the Successor Agency for other prior payments of approximately \$22,600 or more in the context of a future asset transfer review to be conducted by the State Controller in or about fiscal year 2016.

Additionally, there are interfund loans between the City and the former RDA with total principal and accrued interest balances, as of June 30, 2013, of approximately \$290,500. In consultation with legal counsel, management has taken the position that the obligations of the former RDA due to the City are valid enforceable obligations payable by the Successor Agency. The City's position on this issue is not a position of settled law, and there is considerable legal uncertainty regarding this issue. It is reasonably possible that the DOF's final determination and, if applicable a subsequent determination in a court of law may resolve this issue unfavorably to the City. The City reports the balance of these interfund loan receivables in the fund level financial statements, net of allowances for uncollectible amounts. Allowances have been established in the funds to reflect the legal uncertainty regarding collectability of these loans (see Note 1(f) and Note 23 for additional information).

Finally, the City may be forced to absorb an expense of at least several million dollars related to other wind-down processes and logistical problems, such as a statutory administrative cost allowance that is too small to pay for all of the Successor Agency's reasonable administrative expenses.

Based on these circumstances, the total potential losses to the City arising from dissolution of the former RDA, excluding the potential invalidation of interfund loan agreements, is presently estimated to be at least \$48,000, but the actual loss could be greater or smaller depending on variables such as pending litigation, future litigation, future decisions and review/audit processes by the DOF and the State Controller, and potential future amendments to the redevelopment dissolution laws. Nonetheless, any losses to the City are expected to be offset fully by the City's receipt of its approximately 21% pro rata share of so-called residual balance distributions that are allocated by the County Auditor and Controller to the local taxing entities.

#### 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. 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 submitted the Recycled Water Study to the California Coastal Commission in July 2012. The City is working with a stakeholder group, including the Participating Agencies and the environmental community to develop strategies for the next permit application. If the City is required to upgrade to secondary treatment the estimated cost could be approximately \$1,500,000, based on an estimate in 2007, not including financing costs.

#### POLLUTION REMEDIATION OBLIGATIONS

##### California Regional Water Quality Board Administrative Proceeding – San Diego Bay

This matter involves cleanup and abatement order No. R9-2012-0024 adopted by the California RWQCB on March 14, 2012. The order names the City as one of the responsible parties for conditions of pollution in San Diego Bay and requires remediation of polluted bay sediments near historic shipyards on San Diego Bay. The City is named as a "Discharger" in the order along with other entities, which include shipyard operators, the local electric utility SDG&E, and the U.S. Navy.

A Remedial Action Plan for the cleanup project has been submitted by the Dischargers to the RWQCB. The cleanup project has an estimated cost of \$78,000 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 Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) litigation is pending for contribution levels among the Dischargers; however, the parties are continuing to address allocation of these costs in mediation while the litigation is pending. Many variables exist, which make accurate estimation of the City's share of the total costs impossible at this time. A conservative, high estimate of the City's exposure is 25% of cleanup and associated response costs; however, a lesser percentage is possible. The City has tendered claims on insurance policies in regard to this order, which remain pending.

On October 8, 2013, the City Council passed a resolution authorizing, subject to a full reservation of rights in the litigation and the insurance claims, to cooperate with the cleanup by advancing \$6,541 so that the remediation can commence according to the ordered schedule.

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 18 cases located at 8 UST sites, the earliest of which dates back to fiscal year 1987. 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 \$100. Given that the vast majority of all costs are paid out of the State's UST Cleanup Fund and the majority of estimates are for relatively small amounts, the amounts are expensed when incurred throughout the year in the responsible fund and no liability is accrued in the financial statements.

**19. DEBT WITHOUT GOVERNMENT COMMITMENT (Dollars in Thousands)**

The City and former RDA of the City have authorized the issuance of certain Mortgage Revenue Bonds, Parking Revenue Bonds, Tax Allocation Bonds, Pooled Financing Bonds, Special Assessment/Special Tax Bonds, Loans and Notes. The City has no legal obligation to make payment on these bonds, loans or notes and has not pledged any City assets as a guarantee to the bondholders/lenders. These bonds, loans and notes 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 Position. Long-term liabilities of the former RDA are reported in the Successor Agency Private-Purpose Trust Fund.

The following describes the outstanding debt without government commitment:

a. 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, 2013, the status of mortgage revenue bonds issued is as follows:

	Original Amount	Balance June 30, 2013
Mortgage Revenue	\$ 15,700	\$ 3,655

b. Special Assessment/Special Tax Bonds

The City has issued on behalf of the Special Assessment Districts and the Community Facilities Districts debt to finance infrastructure improvements and facilities necessary to facilitate development of the properties within the respective districts located in the various parts of the City. The special assessment and special tax bonds are secured by special assessment and special tax liens respectively, on the real property within the districts and are not direct liabilities of the City. The City has no fiscal obligation beyond the balances in designated District funds for any related bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. The City acts 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, 2013, the status of each of the special assessment bonds issued is as follows:

	Original Amount	Balance June 30, 2013
Reassessment District No. 1999-1, Issued February 1999	\$ 38,145	\$ 6,980
Communities Facilities District No.2 (Santaluz), Improvement Area No. 3, Series 2000 B	4,350	3,590
Reassessment District No. 2003-1, Issued August 2003	8,850	3,805
Assessment District No. 4096 (Piper Ranch), Issued December 2003	5,430	3,940
Communities Facilities District No.2 (Santaluz), Improvement Area No. 4, Series 2004 A	9,965	7,695
Communities Facilities District No.4 (Black Mountain Ranch Villages), Series 2008 A	12,365	11,425
Communities Facilities District No.2 (Santaluz), Improvement Area No. 1, Series 2011	51,680	48,730
Communities Facilities District No.1 (Miramar Ranch North), Series 2012	24,795	24,795
Communities Facilities District No.3 (Liberty Station), Series 2013 A	15,770	15,770
<b>Total Special Assessment / Special Tax Bonds</b>	<b>\$ 171,350</b>	<b>\$ 126,730</b>

c. Refunding Revenue Bonds

The PFFA 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 PFFA for the purpose of refunding certain outstanding prior assessment district bonds of the City. The Bonds are special obligations of the PFFA 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, 2013, the status of each of the refunding revenue bonds issued is as follows:

	Original Amount	Balance June 30, 2013
Reassessment District No. 1999-1, Series 1999 A Senior Lien Bonds	\$ 30,515	\$ 4,640
Reassessment District No. 1999-1, Series 1999 B Subordinate Lien Bonds	7,630	1,145
<b>Total Refunding Revenue Bonds</b>	<b>\$ 38,145</b>	<b>\$ 5,785</b>

d. Parking Revenue and Tax Allocation Bonds

The former RDA issued parking revenue bonds for the purpose of financing certain public parking facilities and tax allocation bonds for the purpose of financing or refinancing redevelopment activities. The parking revenue and tax allocation bonds are secured by certain pledged revenues of the former RDA and are not direct liabilities of the City. In no event will the bonds be payable out of any funds or properties other than those of the Successor Agency or former RDA along with any monies held by the Trustee in the funds and accounts established under the 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, 2013, the status of each of the parking revenue and tax allocation bonds issued is as follows:

	Original Amount	Balance June 30, 2013
<b>Revenue Bonds:</b>		
Centre City Parking Revenue Bonds, Series 1999 A	\$ 12,105	\$ 8,340
Centre City Parking Revenue Bonds, Series 2003 B	20,515	14,835
<b>Total Revenue Bonds</b>	<b>32,620</b>	<b>23,175</b>
<b>Tax Allocation Bonds:</b>		
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	1,200	530
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	12,970	3,045
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	25,680	18,570
Centre City Redevelopment Tax Allocation Bonds, Series 1999 B	11,360	2,440
Centre City Redevelopment Tax Allocation Bonds, Series 1999 C	13,610	10,645
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	5,690	4,435
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	10,141	7,198
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	6,100	3,970
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	21,390	15,895
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	15,025	10,380
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	13,000	10,050
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	7,000	5,415
Centre City Redevelopment Project Tax Allocation Bonds, Series 2001 A	58,425	53,725
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	3,055	3,055
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	31,000	11,980
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	4,955	4,955
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B	865	90
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	6,325	6,325
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	4,530	3,975
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	8,000	5,125

	Original Amount	Balance June 30, 2013
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	\$ 7,145	\$ 5,190
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	5,360	5,360
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	101,180	79,275
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	27,785	21,650
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	8,905	6,960
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A	76,225	69,705
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B	33,760	29,940
Centre City Redevelopment Project Tax Allocation Bonds, Series 2008 A	69,000	50,495
North Park Redevelopment Project Tax Allocation Bonds, Series 2009 A	13,930	13,930
City Heights Redevelopment Project Tax Allocation Bonds, Series 2010 A	5,635	5,635
City Heights Redevelopment Project Tax Allocation Bonds, Series 2010 B	9,590	9,590
Crossroads Redevelopment Project Tax Allocation Bonds, Series 2010 A	4,915	4,820
Housing Set-Aside Tax Allocation Bonds, Series 2010 A	58,565	58,025
Naval Training Center Redevelopment Project Tax Allocation Bonds, Series 2010 A	19,765	19,120
San Ysidro Redevelopment Project Tax Allocation Bonds, Series 2010 A	2,900	2,900
San Ysidro Redevelopment Project Tax Allocation Bonds, Series 2010 B	5,030	4,840
<b>Total Tax Allocation Bonds</b>	<u>710,011</u>	<u>569,238</u>
<b>Total Parking Revenue and Tax Allocation Bonds</b>	<u>\$ 742,631</u>	<u>\$ 592,413</u>
<b>Accreted Interest Payable on Tax Allocation Bonds:</b>		
City Heights Redevelopment Project Tax Allocation Bonds, Series 1999 B		\$ 10,001
Centre City Redevelopment Project Tax Allocation Bonds, Series 2001 A		11,992
<b>Total Accreted Interest Payable</b>		<u>\$ 21,993</u>

e. Pooled Financing Bonds

The PFFA of the City of San Diego issued Pooled Financing Bonds in July 2007 for the purpose of making loans to the former RDA to be used for financing and refinancing redevelopment activities. The Bonds are obligations of the PFFA payable solely from and secured by amounts received from the loan agreement, certain pledge revenues, and monies held by trustee in the funds and the 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. The loan between the PFFA and the former RDA has been eliminated from this note since the Pooled Financing Bonds and related loans are both obligations transferred to the Successor Agency.

	Original Amount	Balance June 30, 2013
<b>Pooled Financing Bonds:</b>		
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 A	\$ 17,230	\$ 14,715
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 B	17,755	15,610
<b>Total Pooled Financing Bonds</b>	<u>\$ 34,985</u>	<u>\$ 30,325</u>

f. Loans and Notes

The former RDA issued loans and notes for the purpose of financing redevelopment activities. The loans and notes are secured by certain pledged revenues of the former RDA. Additional information on obligations due to the City is included in Note 18.

	Original Amount	Balance June 30, 2013
<b>Loans Payable:</b>		
California Housing Financing Agency (HELP) Loan dated October 2008	\$ 1,250	\$ 1,250
City San Diego - City Heights Section 108 Loan dated August 2001	2,250	1,284
City San Diego - Naval Training Center Section 108 Loan dated June 2004	5,910	4,346
City San Diego - HUD Settlement Agreement dated various dates	45,311	30,948
City of San Diego - Miscellaneous dated various dates	65,167	67,496
<b>Total Loans Payable</b>	<u>\$ 119,888</u>	<u>\$ 105,324</u>
<b>Notes Payable:</b>		
City of San Diego - Naval Training Center dated April 2002	\$ 8,300	\$ 8,300
<b>Accrued Interest Payable:</b>		
City San Diego - HUD Settlement Agreement	\$ 33,476	\$ 33,092
City of San Diego - Miscellaneous	-	127,735
City Note Payable dated April 2002	-	11,311
<b>Total Accrued Interest Payable</b>	<u>\$ 33,476</u>	<u>\$ 172,138</u>



### Amortization Requirements

The annual amortization requirements to amortize the private-purpose trust fund long-term debt outstanding as of June 30, 2013, including interest payments to maturity, are as follows:

Year Ending June 30,	Notes Payable		Loans Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ -	\$ -	\$ 4,819	\$ 318	\$ 1,195	\$ 1,257
2015	-	-	6,606	649	1,255	1,194
2016	-	-	8,677	1,203	1,320	1,127
2017	-	-	11,848	1,661	1,390	1,055
2018	-	-	949	14,524	1,465	976
2019-2023	-	-	2,737	16,699	8,650	3,508
2024-2028	-	-	942	57	7,900	831
Unscheduled <sup>2</sup>	8,300	11,311	68,746	127,886	-	-
Total	\$ 8,300	\$ 11,311	\$ 105,324	\$ 162,997	\$ 23,175	\$ 9,948

Year Ending June 30,	Tax Allocation Bonds			Pooled Financing Bonds	
	Principal	Unaccreted Appreciation <sup>1</sup>	Interest	Principal	Interest
2014	\$ 26,249	\$ 2,455	\$ 30,465	\$ 900	\$ 1,718
2015	27,103	2,459	29,122	950	1,671
2016	28,502	2,440	27,724	1,000	1,621
2017	30,006	2,414	26,222	1,050	1,568
2018	31,572	2,376	24,648	1,105	1,511
2019-2023	151,016	9,837	98,334	5,745	6,575
2024-2028	125,511	3,474	63,556	6,495	4,864
2029-2033	75,739	20	36,693	8,650	2,644
2034-2038	42,430	-	18,696	4,430	684
2039-2043	31,110	-	3,171	-	-
Total	569,238	25,475	358,631	30,325	22,856
Add: Accreted Appreciation through June 30, 2013	21,993	-	-	-	-
Total	\$ 591,231	\$ 25,475	\$ 358,631	\$ 30,325	\$ 22,856

<sup>1</sup> Unaccreted Appreciation represents the amount to be accreted in future years regardless of the timing of cash flows.

<sup>2</sup> The loans payable to the City in the amount of \$67,496, loan payable to the California Housing Financing Agency in the amount of \$1,250, note payable to the City in the amount of \$8,300 and accrued interest associated with Loans and Note of \$139,196 are payable when practicable under the original loan terms prior to dissolution of the former RDA, but could be disallowed under provisions of AB X1 26 (see Note 18).

Change in Long-Term Liabilities:

The following is a summary of changes in long-term liabilities reported in the private-purpose trust fund for the year ended June 30, 2013. The effect of bond accretion, bond premiums, discounts, and deferred amounts on refunding are reflected as adjustments to long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Arbitrage Liability	\$ 3	\$ -	\$ -	\$ 3
Liability Claims	70,560	-	(162)	70,398
Note Payable	8,300	-	-	8,300
Loans Payable	107,296	2,329	(4,301)	105,324
COPs	24,310	-	(1,135)	23,175
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(73)	-	5	(68)
Net COPs	24,237	-	(1,130)	23,107
Tax Allocation Bonds	593,926	-	(24,688)	569,238
Interest Accretion	20,204	2,388	(599)	21,993
Balance with Accretion	614,130	2,388	(25,287)	591,231
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	2,830	-	(130)	2,700
Net Tax Allocation Bonds	616,960	2,388	(25,417)	593,931
Pooled Financing Bonds	31,185	-	(860)	30,325
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	318	-	(14)	304
Net Pooled Financing Bonds	31,503	-	(874)	30,629
Interest Accrued on City Loans and Note	170,774	1,794	(430)	172,138
Total	<u>\$ 1,029,633</u>	<u>\$ 11,287</u>	<u>\$ (31,884)</u>	<u>\$ 1,012,130</u>

**20. CLOSURE AND POSTCLOSURE CARE COST (Dollars in Thousands)**

State and federal laws and regulations require that the City place a final cover on its Miramar Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. In addition, federal and state regulations also require that the City set aside funds annually to fund closure and postclosure care costs and to demonstrate financial resources sufficient to meet certain corrective actions

Postclosure Care Liability

The City expects to close the landfill in fiscal year 2022. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each financial statement date.

The \$22,565 reported as landfill closure and postclosure care liability as of June 30, 2013 represents the cumulative amount reported to date based on the use of 83% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$4,472 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care as of June 30, 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Funding Requirements

As of June 30, 2013, the City is in compliance with state and federal laws and regulations requiring to make annual contributions to finance closure and postclosure care costs. At the end of fiscal year 2013, cash or equity in pooled cash and investments of \$45,782 was held for this purpose. The net position related to this amount is reported as restricted in the statement of net position for the Environmental Services fund. The City expects that future inflation costs will be paid from interest earnings on the balance of these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are imposed (due to changes in technology or applicable laws or regulations, for example), these costs may need to be paid by charges to future landfill users or from other sources.

As of June 30, 2013, the City is in compliance with state and federal laws and regulations to demonstrate financial resources sufficient to conduct corrective action for all known or reasonably foreseeable releases from the Miramar Landfill site, meeting the cost estimate approved by the San Diego Regional Water Quality Control Board. At the end of fiscal year 2013, cash or equity in pooled cash and investments of \$1,554 was held for this purpose. This amount is reported as restricted assets in the statement of net position 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 postclosure care requirements are imposed (due to changes in technology or applicable laws or regulations, for example), these costs may need to be paid by charges to future landfill users or from other sources.

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

SDDPC had 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. SDDPC discontinued providing services to ARJIS on June 30, 2013.

Under the agreement, SDDPC provided information technology services to ARJIS at rates which, on an annual basis, are equivalent to those charged to other governmental agency clients. SDDPC's services revenue is approximately \$679 related to ARJIS for the year ended June 30, 2013.

City of San Diego and Padres L.P.

On February 1, 2000, the City entered into a Joint Use and Management Agreement (Agreement) with the San Diego Padres baseball team (Padres) governing the rights and duties of the City and Padres with respect to the use and operation of the Petco Park Ballpark Facility (Facility). The Padres have a 30% divided interest and the City owns 70% of the Facility, which is shown as a capital asset on the City's statement of net position. The occupancy agreement expires on December 14, 2033 and includes the right of the Padres to exercise two five-year extensions. Upon expiration, the Padres' ownership interest will automatically transfer to the City. Under the terms of the Agreement, the Padres are responsible for Facility operation and management, including maintenance, repairs and security required to preserve its condition. The City is responsible for paying certain expenses associated with the operation and maintenance of the Facility, up to a maximum of \$3,500 per year, subject to certain inflationary adjustments. In fiscal year 2013, the City paid approximately \$3,405 related to the operation and maintenance of the Facility.

Rural/Metro of San Diego, Inc.

On July 1, 2011, the City entered into an interim emergency medical services agreement with respect to the management and operation of emergency medical services and medical transportation services for the 911 medical system within the City. Under this agreement, the City is entitled to an annual operational fee in the amount of \$9,000 and \$10,000 for fiscal years 2012 and 2013, respectively, payable in four equal quarterly payments. The interim agreement had a two-year term beginning July 1, 2011 and ending June 30, 2013. However, on June 27, 2013, the City authorized the extension of the contract by one year with an option to extend one additional year. Rural/Metro of San Diego, Inc. is currently in bankruptcy. The City has not identified any potential impact to the City's revenue resulting from the bankruptcy.

**22. FUND BALANCES (Dollars in Thousands)**

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>NONSPENDABLE</b>			
Not in Spendable Form	\$ -	\$ 96,117	\$ 96,117
Legally/Contractually Required to be Maintained Intact	-	19,689	19,689
Total Nonspendable	<u>-</u>	<u>115,806</u>	<u>115,806</u>
<b>RESTRICTED</b>			
Grants	-	11,423	11,423
Facilities Benefit Assessments	-	161,106	161,106
Redevelopment Cooperation Agreement	2,001	-	2,001
Other Construction	-	42,474	42,474
Impact Fees	-	80,726	80,726
Emergency Reserve	58,506	-	58,506
Capital Outlay	-	5,103	5,103
Underground Surcharge	-	54,911	54,911
Public Facilities Financing Authority	-	93,902	93,902
Acquisition, Improvement and Operations	-	37,960	37,960
Special Gas Tax Street Improvement	-	4,366	4,366
Tobacco Settlement Revenue Funding Corporation	-	12,550	12,550
TransNet	-	15,839	15,839
Environmental Growth	-	3,173	3,173
Low and Moderate Income Housing	-	251,655	251,655
Other <sup>1</sup>	-	91,562	91,562
Total Restricted	<u>60,507</u>	<u>866,750</u>	<u>927,257</u>

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>COMMITTED</b>			
Other Construction	\$ -	\$ 8,486	\$ 8,486
Parking Meter Districts	12,069	-	12,069
Transient Occupancy Tax	-	19,960	19,960
Parks and Recreation Districts	-	6,428	6,428
De Anza Operating/Settlement	9,063	-	9,063
Police Decentralization	5,126	-	5,126
Qualcomm Stadium Operations	-	3,579	3,579
Library Improvement	4,222	-	4,222
Wireless Communications Technology	2,138	-	2,138
SAP Support	2,480	-	2,480
Information Technology	2,411	-	2,411
Imperial Marketplace	1,123	-	1,123
Other <sup>1</sup>	2,321	49,202	51,523
Total Committed	<u>40,953</u>	<u>87,655</u>	<u>128,608</u>
<b>ASSIGNED</b>			
Encumbrances	<u>8,717</u>	<u>-</u>	<u>8,717</u>
<b>UNASSIGNED</b>	<u>112,321</u>	<u>(22,578)</u>	<u>89,743</u>
<b>GRAND TOTAL</b>	<u>\$ 222,498</u>	<u>\$ 1,047,633</u>	<u>\$ 1,270,131</u>

<sup>1</sup> The amounts reported in the Restricted and Committed categories as "Other" are composed of a variety of small restrictions/commitments, none of which are significant enough to be identified separately in this schedule.

**23. EXTRAORDINARY GAIN (LOSS) (Dollars in Thousands)**

On December 29, 2011, the California Supreme Court upheld ABX1 26, leading to the dissolution of all redevelopment agencies in the State of California as of February 1, 2012.

On January 12, 2012, the City Council adopted resolution R-307238, designating the City to serve as the Successor Agency for the former RDA and further designating the City to serve as the successor housing entity (Housing Successor Entity) to the former RDA.

Prior to the California Supreme Court upholding ABX1 26, the City and the former RDA entered into a cooperation agreement for the implementation of certain redevelopment projects by the City on behalf of the former RDA (Cooperation Agreement). In connection with the City's agreement to implement the projects, the former RDA advanced to the City approximately \$289,345 in fiscal year 2011, part of which was expended in the subsequent two fiscal years. The balances and activity of the Cooperation Agreement have been reported in governmental funds through the current fiscal year. The housing portion of the balances and activity and other non-capital components have been reported as part of the General Fund, while the non-housing portion has been reported in the Redevelopment Cooperation Agreement Capital Projects fund.

Prior to the date of dissolution, the final seven months (ended January 31, 2012) of activity of the former RDA continued to be reported in the governmental funds of the City, and the former RDA was treated as a blended component unit of the City. After the date of dissolution, the assets and activities of the former RDA were reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. The transfer of assets and liabilities from the former RDA governmental funds to the private-purpose trust fund and the change in measurement focus between the two fund types resulted in extraordinary gains and losses reported in the prior fiscal year. The transfers included all housing and non-housing assets held by the former RDA as of the date of dissolution, but excluded certain assets and liabilities that had been transferred to the City under the Cooperation Agreement.

Additional transactions related to the dissolution of the former RDA are reported as extraordinary gains (losses) in the current fiscal year. These include (1) the transfer of housing assets and liabilities from the Successor Agency Private-Purpose Trust Fund to the Low-Moderate Income Housing Special Revenue fund, established to account for activity of the City as the Housing Successor Entity; and (2) a transfer of non-housing assets and liabilities from the Redevelopment Cooperation Agreement Capital Projects fund to the Successor Agency Private-Purpose Trust Fund as a result of the invalidation of the Cooperation Agreement by the State.

The net effect of these transfers resulted in an extraordinary loss reported in the General Fund of \$25,846, an extraordinary gain reported in other governmental funds of \$174,398 and an extraordinary loss reported in the Successor Agency Private-Purpose Trust Fund of \$181,124. The extraordinary loss reported in the Successor Agency Private-Purpose Trust Fund was greater than the gain reported in governmental funds due to differences in measurement focus between the two funds, as the loss in the private-purpose trust fund included the transfer of capital assets of \$32,572, which are reported in fiduciary funds but not in governmental funds. The Government-Wide Statement of Activities reports an extraordinary gain of \$181,124 for these transactions.

Additionally, there are interfund loans between the City and the former RDA with total principal and accrued interest balances, as of June 30, 2013, of approximately \$290,500. The City reports the balance of these interfund loan receivables in the fund level financial statements, net of an allowance for uncollectible amounts. Allowances have been established in the funds to reflect the legal uncertainty regarding collectability of some of these loans resulting in an extraordinary loss of approximately \$20,433 reported in the General Fund, \$686 in the Water Utility fund, \$1,180 in the Sewer Utility fund, and \$188,761 in other governmental funds. The Government-Wide Statement of Activities reports an extraordinary loss of \$211,060 for these transactions.



## 24. SUBSEQUENT EVENTS (Dollars in Thousands)

The following information describes certain events that occurred after the end of the fiscal year. Information on other events that occurred subsequent to the issuance of this report is included in Notes 17 and 18.

### Issuance of Long-term Debt

On July 11, 2013, the PFFA issued \$43,245 of Lease Revenue and Lease Revenue Refunding Bonds, Series 2013A (Capital Improvement Projects and Old Town Light Rail Extension Refunding) and on August 6, 2013, issued an additional \$6,285 of Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding). The 2013A Bonds were issued to finance the costs of the acquisition, design, construction, installation and equipping of certain capital improvement projects of the City and refund all the outstanding City/MTDB Authority 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding). The 2013B Bonds were issued to refund all of the outstanding City 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding). Both the 2013A Bonds and the 2013B Bonds are special, limited obligations of the PFFA secured solely by the base rental payments payable under a Facilities Lease. The interest rates for the Series 2013A Bonds and 2013B Bonds range from 3.00% to 5.00%. The final maturity for the Series 2013A Bonds is October 15, 2042, and that of the 2013B Bonds is October 15, 2023.

On August 30, 2013, the City received a \$2,318 disbursement from a \$23,469 State Revolving Fund Loan agreement with the California State Water Resources Control Board for the Sewer Pipeline Rehabilitation Project – MNOP. The interest rate on the loan is 2.20% and the repayment period for the loan is 20 years, beginning one year after completion of construction on the project.

On August 30, 2013, the City received a \$5,562 disbursement from a \$9,596 State Revolving Fund Loan agreement with the California State Water Resources Control Board for the Sewer Pipeline Rehabilitation Project Segments R-1 and S-1. The interest rate on the loan is 2.20% and the repayment period for the loan is 20 years, beginning one year after completion of construction on the project.

On September 27, 2013, the City received a \$4,037 disbursement from a \$29,961 State Revolving Fund Loan agreement with the California State Water Resources Control Board for the Point Loma Grit Processing Improvement Project. The interest rate on the loan is 2.70% and the repayment period for the loan is 20 years, beginning one year after the completion of construction on the project.

On October 25, 2013, the City received an additional \$1,006 disbursement from a \$29,961 State Revolving Fund Loan agreement with the California State Water Resources Control Board for the Point Loma Grit Processing Improvement Project. The interest rate on the loan is 2.70% and the repayment period for the loan is 20 years, beginning one year after the completion of construction on the project.

On November 14, 2013, the City received an additional \$1,040 disbursement from a \$9,596 State Revolving Fund Loan agreement with the California State Water Resources Control Board for the Sewer Pipeline Rehabilitation Project Segments R-1 and S-1. The interest rate on the loan is 2.20% and the repayment period for the loan is 20 years, beginning one year after completion of construction on the project.

### Dissolution of SDDPC

On August 5, 2013, acting as the sole member of SDDPC, the City Council elected to take the necessary steps to wind-up and dissolve SDDPC, authorizing and directing the officers and directors of SDDPC to terminate or assign to the City, if mutually agreed upon, any of SDDPC's outstanding contracts, including but not limited to, vendor contracts,

contracts to provide services to third parties, and leases. Additionally, the City Council directed SDDPC's board to adopt retirement plan amendment resolutions ending the Corporation's retirement plans and discontinuing funding of the Plans effective on or before the date of final dissolution of SDDPC. Also, the City Council authorized SDDPC's obligations to provide COBRA continuation coverage to qualified beneficiaries after dissolution, to the extent legally permissible, pass to the City after the termination of SDDPC's health plans at the time of dissolution. After the known debts and liabilities of SDDPC have been paid to the extent of SDDPC's assets, directors or the proper officers of SDDPC were authorized to distribute the Corporation's remaining assets and receivables to the City, as provided for in the SDDPC's Articles of Incorporation. At June 30, 2013, SDDPC reported net position of \$15,016.

#### Special Mayoral Election

Effective August 30, 2013, Mayor Bob Filner resigned from office. Pursuant to the City Charter, Council President Todd Gloria assumed limited authority to exercise executive powers of the Mayor and will continue in that capacity until the mayoral vacancy is filled. On November 19, 2013 a special mayoral election was held in which no candidate received a majority of votes cast. A special run-off election will occur in early 2014. The winner will serve as Mayor through December 5, 2016.

#### Changes to Pension Actuarial Assumptions

On November 8, 2013, the SDCERS Board approved a change in the long-term discount rate and the wage inflation rate and voted to include in the 2013 actuarial valuation four years of a pensionable pay freeze for City employees that had been negotiated between the City and labor organizations effective July 1, 2013. The discount rate was lowered from 7.5% to 7.25% and the wage inflation rate was reduced from 3.75% to 3.3%. These changes will be included in the June 30, 2013 actuarial valuation.

#### Water Rate Increases

On November 21, 2013, the City Council authorized a water rate adjustment, increasing water rate system revenue by 7.25% effective January 1, 2014, and 7.5% effective January 1, 2015. Additionally, the City Council authorized adjustments to the proposed water base fee and commodity charge consistent with the recommendations of the 2013 Water Cost of Service Study (COSS), to reflect a proportionate share of revenue between user classifications. It also authorized changes to the Single Family Residential Customer's Tier Structure, also based on the COSS.

#### Litigation

On August 10, 2013, San Diegans for Open Government (SDOG) filed a complaint with the San Diego Superior Court challenging the fiscal year 2014 downtown Property and Business Improvement District and 57 City Maintenance Assessment District levy assessments. SDOG claims the levies are not proper assessments as they violate Proposition 26 and are, instead, illegal taxes. An unsuccessful outcome for the City could result in payments from \$0 to \$2,000.

**25. RESTATEMENTS (Dollars in Thousands)**Discretely Presented Component Unit - San Diego Convention Center Corporation

On June 6, 2012, SDCCC determined it was appropriate to “spin off” the San Diego Theatres, Inc. (SDTI) and approved an amendment and restatement of their Articles of Incorporation and bylaws in the best interest of SDTI. Effective July 1, 2012, SDTI became a free standing, nonprofit public benefit corporation no longer controlled by SDCCC, and therefore, not considered to be a component unit.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, accounting changes that result in financial statements that are, in effect, the statements of a different reporting entity, must be restated. Due to the “spin off” of SDTI, SDCCC has restated its beginning net position by \$4,917, to reflect the impact of SDTI no longer being considered a component unit of SDCCC.

**REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)**  
**June 30, 2013**

**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 valuations (dollars 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)
6/30/2010	\$ 4,382,047	\$ 6,527,224	\$ 2,145,177	67.13%	\$ 530,238	404.57%
6/30/2011	4,739,399	6,917,175	2,177,776	68.52%	514,265	423.47%
6/30/2012	4,982,442	7,261,731	2,279,289	68.61%	511,091	445.97%

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 (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAL (b - a)	Funded Ratio (a/b)	Covered Payroll <sup>1</sup> (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2011	\$ 116,608	\$ 1,248,151	\$ 1,131,543	9.34%	\$ 455,537	248.40%
6/30/2012	104,304	553,432	449,128	18.85%	124,675	360.24%
6/30/2013	113,404	557,551	444,147	20.34%	112,782	393.81%

<sup>1</sup> Includes payroll for active employees in the defined benefit options only.

**Schedule of Employer Contributions**

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

Fiscal Year	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2011	\$ 120,324	\$ 58,868	48.92%
6/30/2012	49,061	23,857	48.63%
6/30/2013	35,348	37,464	105.99%

Source: Buck Consultants

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; Revenue from the Use of Money and Property; Revenue from Federal and Other 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; Capital Outlay; and Debt Service Principal and Interest. Appropriations are made from the fund annually.

**CITY OF SAN DIEGO  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
Year Ended June 30, 2013  
(Dollars in Thousands)**

	Original Budget	Final Budget	Actual Amounts <sup>1</sup>	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes.....	\$ 387,135	\$ 398,141	\$ 412,204	\$ 14,063
Sales Taxes.....	236,258	236,258	232,939	(3,319)
Transient Occupancy Taxes.....	81,711	81,711	83,904	2,193
Other Local Taxes.....	78,038	78,038	74,691	(3,347)
Licenses and Permits.....	31,900	32,099	32,772	673
Fines, Forfeitures and Penalties.....	31,406	32,024	29,656	(2,368)
Revenue from Use of Money and Property.....	42,570	49,127	53,415	4,288
Revenue from Federal Agencies.....	2,931	1,030	1,341	311
Revenue from Other Agencies.....	594	594	7,329	6,735
Revenue from Private Sources.....	-	395	84	(311)
Charges for Current Services.....	181,413	166,373	155,102	(11,271)
Other Revenue.....	3,838	8,175	8,570	395
<b>TOTAL REVENUES.....</b>	<b>1,077,794</b>	<b>1,083,965</b>	<b>1,092,007</b>	<b>8,042</b>
<b>EXPENDITURES</b>				
Current:				
General Government and Support.....	214,965	224,083	215,601	8,482
Public Safety - Police.....	387,571	395,628	395,628	-
Public Safety - Fire and Life Safety and Homeland Security.....	194,601	201,267	201,219	48
Parks, Recreation, Culture and Leisure.....	123,454	122,753	122,008	745
Transportation.....	63,985	59,703	59,371	332
Sanitation and Health.....	64,726	63,850	63,553	297
Neighborhood Services.....	20,183	25,316	22,992	2,324
Capital Projects.....	-	1,183	1,183	-
Debt Service:				
Principal Retirement.....	4,182	3,717	3,717	-
Interest.....	1,906	3,915	3,915	-
<b>TOTAL EXPENDITURES.....</b>	<b>1,075,573</b>	<b>1,101,415</b>	<b>1,089,187</b>	<b>12,228</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>				
	<b>2,221</b>	<b>(17,450)</b>	<b>2,820</b>	<b>20,270</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Proprietary Funds.....	-	782	782	-
Transfers from Other Funds.....	73,921	90,957	90,957	-
Transfers to Proprietary Funds.....	(12,996)	(12,996)	(12,996)	-
Transfers to Other Funds.....	(75,873)	(78,280)	(78,280)	-
Capital Leases.....	-	-	292	292
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(14,948)</b>	<b>463</b>	<b>755</b>	<b>292</b>
Extraordinary Loss.....	-	-	(20,433)	(20,433)
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(12,728)</b>	<b>(16,988)</b>	<b>(16,858)</b>	<b>130</b>
FUND BALANCE - BEGINNING.....	190,121	190,121	190,121	-
<b>FUND BALANCE - ENDING.....</b>	<b>\$ 177,393</b>	<b>\$ 173,133</b>	<b>\$ 173,263</b>	<b>\$ 130</b>

See accompanying note to required supplementary information.

<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.



**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**Year Ended June 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Budgetary Data**

On or before the first meeting in May of each year, the Mayor 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
    - Qualcomm Stadium Operations
    - Special Gas Tax Street Improvement
    - Street Division Operations
    - Transient Occupancy Tax
    - Underground Surcharge
    - Zoological Exhibits
    - Other Special Revenue
  - Civic San Diego
- **Debt Service Funds:**
  - City of San Diego:
    - Public Safety Communications Project
- **Capital Projects Funds:**
  - City of San Diego:
    - TransNet

The budget typically includes appropriations for funds with personnel expenditures or expenses, those that fund capital projects and those that receive certain revenue such as taxes and other assessments, among others. For those funds not specifically included in the budget, the appropriation ordinance includes authorization to appropriate funds for the purpose established by applicable laws and/or in accordance with provisions of agreements authorized by the City Council.

Public hearings are conducted to obtain 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 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 and proceeds from capital leases.

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 for the General Fund prepared on a GAAP basis to that prepared on the budgetary basis for the year ended June 30, 2013 (dollars in thousands):

	General Fund
Net Change in Fund Balance - GAAP Basis	\$ (56,052)
Add (Deduct):	
Encumbrances Outstanding, June 30, 2013	(8,714)
Unrealized Loss, June 30, 2013	1,699
Unrealized Gain, June 30, 2012	738
General Fund Activity Not Included in Annual Appropriations Ordinance <sup>1</sup>	45,471
Net Change in Fund Balance - Budgetary Basis	<u>\$ (16,858)</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.

<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 Successor Agency (see Note 23).

SUPPLEMENTARY INFORMATION  
GENERAL FUND



**GENERAL FUND  
SCHEDULE OF REVENUE AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
Year Ended June 30, 2013  
(Dollars in Thousands)**

	Actual <sup>1</sup>	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>PROPERTY TAXES</b>					
One Percent Property Tax Allocation .....	\$ -	\$ -	\$ -	\$ 282,608	\$ (282,608)
Current Year - Secured (One Percent Allocation).....	256,743	-	256,743	-	256,743
Current Year Supplemental - Secured .....	2,335	-	2,335	-	2,335
Current Year - Unsecured .....	8,892	-	8,892	-	8,892
Current Unsecured Supplemental Roll .....	51	-	51	-	51
Homeowners' Exemptions - Secured .....	2,586	-	2,586	-	2,586
Homeowners' Exemptions - Unsecured .....	2	-	2	-	2
Prior years' - Secured .....	2,367	-	2,367	-	2,367
Prior years' - Unsecured .....	(58)	-	(58)	-	(58)
In-Lieu Vehicle License Fees .....	104,109	-	104,109	104,527	(418)
Interest and Penalties on Delinquent Taxes .....	1,369	-	1,369	-	1,369
Escapes - Secured .....	3,131	-	3,131	-	3,131
Escapes - Unsecured .....	422	-	422	-	422
Other Property Taxes .....	22,695	-	22,695	11,006	11,689
State Secured Unitary .....	7,560	-	7,560	-	7,560
<b>TOTAL PROPERTY TAXES</b> .....	<b>412,204</b>	<b>-</b>	<b>412,204</b>	<b>398,141</b>	<b>14,063</b>
<b>SALES TAXES</b> .....	<b>232,939</b>	<b>-</b>	<b>232,939</b>	<b>236,258</b>	<b>(3,319)</b>
<b>TRANSIENT OCCUPANCY TAXES</b> .....	<b>83,904</b>	<b>-</b>	<b>83,904</b>	<b>81,711</b>	<b>2,193</b>
<b>OTHER LOCAL TAXES</b>					
Franchises .....	67,723	-	67,723	71,679	(3,956)
Property Transfer Tax .....	6,968	-	6,968	6,359	609
<b>TOTAL OTHER LOCAL TAXES</b> .....	<b>74,691</b>	<b>-</b>	<b>74,691</b>	<b>78,038</b>	<b>(3,347)</b>
<b>LICENSES AND PERMITS</b>					
General Business Licenses .....	7,301	-	7,301	6,613	688
Refuse Collection Business Licenses .....	662	-	662	660	2
Other Regulatory Business Licenses .....	-	-	-	11	(11)
Rental Unit Tax .....	7,285	-	7,285	5,925	1,360
Parking Meter Revenue .....	8,190	-	8,190	7,880	310
Other Licenses and Permits .....	9,334	-	9,334	11,010	(1,676)
<b>TOTAL LICENSES AND PERMITS</b> .....	<b>32,772</b>	<b>-</b>	<b>32,772</b>	<b>32,099</b>	<b>673</b>
<b>FINES, FORFEITURES AND PENALTIES</b>					
California Vehicle Code Violations .....	26,399	-	26,399	27,094	(695)
Other City Ordinance Code Violations .....	3,257	-	3,257	4,930	(1,673)
<b>TOTAL FINES, FORFEITURES AND PENALTIES</b> .....	<b>29,656</b>	<b>-</b>	<b>29,656</b>	<b>32,024</b>	<b>(2,368)</b>
<b>REVENUE FROM USE OF MONEY AND PROPERTY</b>					
Interest on Investments .....	1,942	2,437	4,379	3,670	709
Balboa Park Rents and Concessions .....	430	-	430	199	231
Mission Bay Park Rents and Concessions .....	30,857	-	30,857	30,244	613
Other Rents and Concessions .....	17,749	-	17,749	15,014	2,735
<b>TOTAL REVENUE FROM USE OF MONEY AND PROPERTY</b> .....	<b>50,978</b>	<b>2,437</b>	<b>53,415</b>	<b>49,127</b>	<b>4,288</b>
<b>REVENUE FROM FEDERAL AGENCIES</b> .....	<b>1,341</b>	<b>-</b>	<b>1,341</b>	<b>1,030</b>	<b>311</b>

Continued on Next Page

<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, 2013  
(Dollars in Thousands)**

	Actual <sup>1</sup>	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUE FROM OTHER AGENCIES</b>					
State Motor Vehicle License Fees .....	\$ 705	\$ -	\$ 705	\$ -	\$ 705
Local Relief .....	126	-	126	110	16
State Grants .....	6,498	-	6,498	484	6,014
<b>TOTAL REVENUE FROM OTHER AGENCIES .....</b>	<b>7,329</b>	<b>-</b>	<b>7,329</b>	<b>594</b>	<b>6,735</b>
<b>REVENUE FROM PRIVATE SOURCES .....</b>	<b>84</b>	<b>-</b>	<b>84</b>	<b>395</b>	<b>(311)</b>
<b>CHARGES FOR CURRENT SERVICES</b>					
Administrative Services to Other Agencies .....	327	-	327	254	73
Cemetery Revenue .....	634	-	634	665	(31)
Engineering Services .....	647	-	647	446	201
Fire Services .....	4,808	-	4,808	9,995	(5,187)
Library Revenue .....	1,584	-	1,584	1,742	(158)
Miscellaneous Recreation Revenue .....	3,486	-	3,486	3,179	307
Other Services .....	1,219	-	1,219	365	854
Paramedic Services .....	349	-	349	375	(26)
Planning and Miscellaneous Filing Fees .....	76	-	76	30	46
Police Services .....	5,198	-	5,198	6,304	(1,106)
Swimming Pools Revenue .....	1,145	-	1,145	1,166	(21)
Services Rendered to Other Funds for:					
General Government and Financial .....	131,753	-	131,753	135,134	(3,381)
Engineering .....	2	-	2	-	2
Park Design .....	-	-	-	1,095	(1,095)
Miscellaneous Services .....	3,874	-	3,874	5,623	(1,749)
<b>TOTAL CHARGES FOR CURRENT SERVICES .....</b>	<b>155,102</b>	<b>-</b>	<b>155,102</b>	<b>166,373</b>	<b>(11,271)</b>
<b>OTHER REVENUE</b>					
Other Refunds of Prior Years' Expenditures .....	2,801	-	2,801	333	2,468
Repairs and Damage Recoveries .....	379	-	379	385	(6)
Sale of Personal Property .....	60	-	60	113	(53)
Miscellaneous Revenue .....	5,330	-	5,330	7,344	(2,014)
<b>TOTAL OTHER REVENUE .....</b>	<b>8,570</b>	<b>-</b>	<b>8,570</b>	<b>8,175</b>	<b>395</b>
<b>TOTAL REVENUES .....</b>	<b>1,089,570</b>	<b>2,437</b>	<b>1,092,007</b>	<b>1,083,965</b>	<b>8,042</b>
<b>TRANSFERS FROM PROPRIETARY FUNDS</b>					
Internal Service Funds:					
City of San Diego:					
Fleet Services .....	198	-	198	198	-
Publishing Services .....	1	-	1	1	-
Self Insurance .....	576	-	576	576	-
Miscellaneous Internal Service .....	7	-	7	7	-
<b>TOTAL TRANSFERS FROM PROPRIETARY FUNDS .....</b>	<b>782</b>	<b>-</b>	<b>782</b>	<b>782</b>	<b>-</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, 2013  
(Dollars in Thousands)**

	Actual <sup>1</sup>	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>TRANSFERS FROM OTHER FUNDS</b>					
Special Revenue Funds:					
City of San Diego:					
Interfund Transfers .....	\$ 7,098	\$ -	\$ 7,098	\$ 7,098	\$ -
Acquisition, Improvement & Operations .....	2	-	2	2	-
Environmental Growth Fund (Two Thirds).....	8,078	-	8,078	8,078	-
Environmental Growth Fund (One Third) .....	2,065	-	2,065	2,065	-
Special Gas Tax Street Improvement .....	19,148	-	19,148	19,148	-
Street Division Operations .....	5	-	5	5	-
Transient Occupancy Tax .....	15,018	-	15,018	15,018	-
Zoological Exhibits .....	12	-	12	12	-
Other Special Revenue - Budgeted .....	13,098	-	13,098	13,098	-
Grants .....	3,981	-	3,981	3,981	-
Other Special Revenue - Unbudgeted .....	11,342	-	11,342	11,342	-
Debt Service Funds:					
City of San Diego:					
Public Safety Communications Project .....	516	-	516	516	-
Capital Projects Funds:					
City of San Diego:					
Capital Outlay .....	109	-	109	109	-
TransNet .....	9,259	-	9,259	9,259	-
Other Construction .....	451	-	451	451	-
Permanent Funds:					
Cemetery Perpetuity .....	775	-	775	775	-
<b>TOTAL TRANSFERS FROM OTHER FUNDS .....</b>	<b>90,957</b>	<b>-</b>	<b>90,957</b>	<b>90,957</b>	<b>-</b>
<b>CAPITAL LEASES</b>					
Capital Leases .....	292	-	292	-	292
<b>TOTAL REVENUE, TRANSFERS, AND CAPITAL LEASES .....</b>	<b>\$ 1,181,601</b>	<b>\$ 2,437</b>	<b>\$ 1,184,038</b>	<b>\$ 1,175,704</b>	<b>\$ 8,334</b>

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended June 30, 2013**  
**(Dollars 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>					
Mayor					
Salaries and Wages.....	\$ 291	\$ -	\$ 291	\$ 318	\$ 27
Non-Personnel.....	189	-	189	214	25
Total Mayor.....	480	-	480	532	52
City Council District 1					
Salaries and Wages.....	499	-	499	499	-
Non-Personnel.....	519	-	519	609	90
Total City Council District 1.....	1,018	-	1,018	1,108	90
City Council District 2					
Salaries and Wages.....	500	-	500	500	-
Non-Personnel.....	487	20	507	637	130
Total City Council District 2.....	987	20	1,007	1,137	130
City Council District 3					
Salaries and Wages.....	489	-	489	541	52
Non-Personnel.....	594	-	594	670	76
Total City Council District 3.....	1,083	-	1,083	1,211	128
City Council District 4					
Salaries and Wages.....	432	-	432	470	38
Non-Personnel.....	575	-	575	798	223
Total City Council District 4.....	1,007	-	1,007	1,268	261
City Council District 5					
Salaries and Wages.....	495	-	495	657	162
Non-Personnel.....	358	20	378	489	111
Total City Council District 5.....	853	20	873	1,146	273
City Council District 6					
Salaries and Wages.....	565	-	565	650	85
Non-Personnel.....	428	-	428	471	43
Total City Council District 6.....	993	-	993	1,121	128
City Council District 7					
Salaries and Wages.....	557	-	557	557	-
Non-Personnel.....	467	-	467	571	104
Total City Council District 7.....	1,024	-	1,024	1,128	104
City Council District 8					
Salaries and Wages.....	576	-	576	657	81
Non-Personnel.....	515	-	515	525	10
Total City Council District 8.....	1,091	-	1,091	1,182	91
City Council District 9					
Salaries and Wages.....	286	-	286	286	-
Non-Personnel.....	258	-	258	342	84
Total City Council District 9.....	544	-	544	628	84
Council Administration					
Salaries and Wages.....	829	-	829	986	157
Non-Personnel.....	933	-	933	982	49
Total Council Administration.....	1,762	-	1,762	1,968	206

<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, 2013**  
**(Dollars in Thousands)**

	Actual <sup>1</sup>	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>City Clerk</b>					
Salaries and Wages.....	\$ 2,144	\$ -	\$ 2,144	\$ 2,218	\$ 74
Non-Personnel.....	2,362	6	2,368	2,471	103
Total City Clerk.....	4,506	6	4,512	4,689	177
<b>Independent Budget Analyst</b>					
Salaries and Wages.....	988	-	988	1,018	30
Non-Personnel.....	642	-	642	661	19
Total Independent Budget Analyst.....	1,630	-	1,630	1,679	49
<b>City Attorney</b>					
Salaries and Wages.....	24,384	-	24,384	24,530	146
Non-Personnel.....	17,927	10	17,937	18,151	214
Total City Attorney.....	42,311	10	42,321	42,681	360
<b>Personnel</b>					
Salaries and Wages.....	3,424	-	3,424	3,449	25
Non-Personnel.....	2,915	28	2,943	2,961	18
Total Personnel.....	6,339	28	6,367	6,410	43
<b>Ethics Commission</b>					
Salaries and Wages.....	398	-	398	398	-
Non-Personnel.....	405	-	405	517	112
Total Ethics Commission.....	803	-	803	915	112
<b>City Auditor</b>					
Salaries and Wages.....	1,646	-	1,646	1,759	113
Non-Personnel.....	1,476	-	1,476	1,509	33
Total City Auditor.....	3,122	-	3,122	3,268	146
<b>Assistant Chief Operating Officer</b>					
Salaries and Wages.....	229	-	229	229	-
Non-Personnel.....	88	-	88	96	8
Total Assistant Chief Operating Officer.....	317	-	317	325	8
<b>Citywide Administration</b>					
Salaries and Wages.....	1,277	-	1,277	1,481	204
Non-Personnel.....	1,161	58	1,219	1,259	40
Total Citywide Administration.....	2,438	58	2,496	2,740	244
<b>Business Office</b>					
Salaries and Wages.....	346	-	346	524	178
Non-Personnel.....	319	251	570	581	11
Total Business Office.....	665	251	916	1,105	189
<b>Human Resources</b>					
Salaries and Wages.....	1,184	-	1,184	1,334	150
Non-Personnel.....	970	8	978	1,040	62
Total Human Resources.....	2,154	8	2,162	2,374	212
<b>Office of the CIO</b>					
Non-Personnel.....	483	-	483	500	17
<b>Community and Legislative Services</b>					
Salaries and Wages.....	1,902	-	1,902	2,120	218
Non-Personnel.....	1,439	4	1,443	1,897	454
Total Community and Legislative Services.....	3,341	4	3,345	4,017	672

Continued on Next Page

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended June 30, 2013**  
**(Dollars in Thousands)**

	Actual <sup>1</sup>	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Multimedia Services					
Salaries and Wages.....	\$ 255	\$ -	\$ 255	\$ 255	\$ -
Non-Personnel.....	235	-	235	238	3
Total Multimedia Services.....	490	-	490	493	3
Chief Financial Officer					
Salaries and Wages.....	285	-	285	384	99
Non-Personnel.....	162	7	169	452	283
Total Chief Financial Officer.....	447	7	454	836	382
City Comptroller					
Salaries and Wages.....	5,373	-	5,373	5,518	145
Non-Personnel.....	4,444	16	4,460	4,471	11
Total City Comptroller.....	9,817	16	9,833	9,989	156
Debt Management					
Salaries and Wages.....	1,222	-	1,222	1,334	112
Non-Personnel.....	869	6	875	982	107
Total Debt Management.....	2,091	6	2,097	2,316	219
Financial Management					
Salaries and Wages.....	2,048	-	2,048	2,354	306
Non-Personnel.....	1,559	12	1,571	1,585	14
Total Financial Management.....	3,607	12	3,619	3,939	320
Purchasing and Contracts					
Salaries and Wages.....	1,556	-	1,556	1,666	110
Non-Personnel.....	1,479	-	1,479	1,639	160
Total Purchasing and Contracts.....	3,035	-	3,035	3,305	270
City Treasurer					
Salaries and Wages.....	5,828	-	5,828	5,828	-
Non-Personnel.....	8,352	978	9,330	9,330	-
Total City Treasurer.....	14,180	978	15,158	15,158	-
Real Estate Assets					
Salaries and Wages.....	1,939	-	1,939	2,008	69
Non-Personnel.....	2,160	37	2,197	2,269	72
Total Real Estate Assets.....	4,099	37	4,136	4,277	141
Engineering and Capital Projects					
Salaries and Wages.....	24,102	-	24,102	24,309	207
Non-Personnel.....	19,329	168	19,497	19,497	-
Total Engineering and Capital Projects.....	43,431	168	43,599	43,806	207
General Services					
Salaries and Wages.....	5,545	-	5,545	5,545	-
Non-Personnel.....	8,060	396	8,456	8,456	-
Total General Services.....	13,605	396	14,001	14,001	-
Public Works					
Salaries and Wages.....	252	-	252	297	45
Non-Personnel.....	234	2	236	270	34
Total Public Works.....	486	2	488	567	79
Citywide Expenses					
Non-Personnel.....	37,608	1,658	39,266	39,266	-

<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, 2013  
(Dollars in Thousands)**

	Actual <sup>1</sup>	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Citywide Expenses/Continuing Projects					
Non-Personnel.....	\$ 43	\$ 26	\$ 69	\$ 327	\$ 258
General Fund Appropriated Reserve					
Non-Personnel.....	-	-	-	2,671	2,671
<b>TOTAL GENERAL GOVERNMENT AND SUPPORT.....</b>	<b>211,890</b>	<b>3,711</b>	<b>215,601</b>	<b>224,083</b>	<b>8,482</b>
<b>PUBLIC SAFETY-POLICE</b>					
Police					
Salaries and Wages.....	207,473	-	207,473	207,473	-
Non-Personnel.....	186,634	1,521	188,155	188,155	-
Total Police .....	394,107	1,521	395,628	395,628	-
<b>TOTAL PUBLIC SAFETY - POLICE.....</b>	<b>394,107</b>	<b>1,521</b>	<b>395,628</b>	<b>395,628</b>	<b>-</b>
<b>PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY</b>					
Fire - Rescue					
Salaries and Wages.....	112,053	-	112,053	112,053	-
Non-Personnel.....	87,424	107	87,531	87,531	-
Total Fire - Rescue.....	199,477	107	199,584	199,584	-
Office of Homeland Security					
Salaries and Wages.....	865	-	865	890	25
Non-Personnel.....	767	3	770	793	23
Total Office of Homeland Security.....	1,632	3	1,635	1,683	48
<b>TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY.....</b>	<b>201,109</b>	<b>110</b>	<b>201,219</b>	<b>201,267</b>	<b>48</b>
<b>PARKS, RECREATION, CULTURE AND LEISURE</b>					
Library					
Salaries and Wages.....	15,982	-	15,982	15,982	-
Non-Personnel.....	21,332	169	21,501	21,504	3
Total Library.....	37,314	169	37,483	37,486	3
Parks and Recreation					
Salaries and Wages.....	31,108	-	31,108	31,699	591
Non-Personnel.....	49,849	1,518	51,367	51,465	98
Total Parks and Recreation.....	80,957	1,518	82,475	83,164	689
Reservoir Concessions					
Salaries and Wages.....	-	-	-	-	-
Non-Personnel.....	1,954	96	2,050	2,103	53
Total Reservoir Concessions.....	1,954	96	2,050	2,103	53
<b>TOTAL PARKS, RECREATION CULTURE AND LEISURE.....</b>	<b>120,225</b>	<b>1,783</b>	<b>122,008</b>	<b>122,753</b>	<b>745</b>

Continued on Next Page

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended June 30, 2013**  
**(Dollars in Thousands)**

	Actual <sup>1</sup>	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>TRANSPORTATION</b>					
Engineering and Capital Projects - Transportation					
Salaries and Wages.....	\$ 8,630	\$ -	\$ 8,630	\$ 8,881	\$ 251
Non-Personnel.....	6,247	63	6,310	6,391	81
Total Engineering and Capital Projects - Transportation...	<u>14,877</u>	<u>63</u>	<u>14,940</u>	<u>15,272</u>	<u>332</u>
Transportation					
Salaries and Wages.....	15,262	-	15,262	15,262	-
Non-Personnel.....	28,674	495	29,169	29,169	-
Transportation.....	<u>43,936</u>	<u>495</u>	<u>44,431</u>	<u>44,431</u>	<u>-</u>
<b>TOTAL TRANSPORTATION.....</b>	<b><u>58,813</u></b>	<b><u>558</u></b>	<b><u>59,371</u></b>	<b><u>59,703</u></b>	<b><u>332</u></b>
<b>SANITATION AND HEALTH</b>					
Environmental Protection					
Salaries and Wages.....	7,520	-	7,520	7,520	-
Non-Personnel.....	26,061	148	26,209	26,209	-
Total Environmental Protection.....	<u>33,581</u>	<u>148</u>	<u>33,729</u>	<u>33,729</u>	<u>-</u>
Storm Water					
Salaries and Wages.....	6,070	-	6,070	6,157	87
Non-Personnel.....	23,619	135	23,754	23,964	210
Total Storm Water.....	<u>29,689</u>	<u>135</u>	<u>29,824</u>	<u>30,121</u>	<u>297</u>
<b>TOTAL SANITATION AND HEALTH.....</b>	<b><u>63,270</u></b>	<b><u>283</u></b>	<b><u>63,553</u></b>	<b><u>63,850</u></b>	<b><u>297</u></b>
<b>NEIGHBORHOOD SERVICES</b>					
Development Services					
Salaries and Wages.....	6,450	-	6,450	6,450	-
Non-Personnel.....	6,324	664	6,988	6,988	-
Total Development Services .....	<u>12,774</u>	<u>664</u>	<u>13,438</u>	<u>13,438</u>	<u>-</u>
Economic Development					
Salaries and Wages.....	2,432	-	2,432	3,410	978
Non-Personnel.....	7,038	84	7,122	8,468	1,346
Total Economic Development.....	<u>9,470</u>	<u>84</u>	<u>9,554</u>	<u>11,878</u>	<u>2,324</u>
<b>TOTAL NEIGHBORHOOD SERVICES.....</b>	<b><u>22,244</u></b>	<b><u>748</u></b>	<b><u>22,992</u></b>	<b><u>25,316</u></b>	<b><u>2,324</u></b>
<b>CAPITAL PROJECTS.....</b>	<b><u>1,183</u></b>	<b><u>-</u></b>	<b><u>1,183</u></b>	<b><u>1,183</u></b>	<b><u>-</u></b>
<b>DEBT SERVICE</b>					
Principal Retirement.....	3,717	-	3,717	3,717	-
Interest.....	3,915	-	3,915	3,915	-
<b>TOTAL DEBT SERVICE.....</b>	<b><u>7,632</u></b>	<b><u>-</u></b>	<b><u>7,632</u></b>	<b><u>7,632</u></b>	<b><u>-</u></b>
<b>TOTAL EXPENDITURES.....</b>	<b><u>1,080,473</u></b>	<b><u>8,714</u></b>	<b><u>1,089,187</u></b>	<b><u>1,101,415</u></b>	<b><u>12,228</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, 2013**  
**(Dollars 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.....	\$ 2,381	\$ -	\$ 2,381	\$ 2,381	\$ -
Self Insurance.....	10,033	-	10,033	10,033	-
Central Stores.....	11	-	11	11	-
Miscellaneous Internal Service.....	571	-	571	571	-
Total Internal Service Funds.....	<u>12,996</u>	<u>-</u>	<u>12,996</u>	<u>12,996</u>	<u>-</u>
<b>TOTAL TRANSFERS TO PROPRIETARY FUNDS.....</b>	<u>12,996</u>	<u>-</u>	<u>12,996</u>	<u>12,996</u>	<u>-</u>
<b>TRANSFERS TO OTHER FUNDS</b>					
Special Revenue Funds:					
City of San Diego:					
Interfund Transfers.....	31,003	-	31,003	31,003	-
Acquisition, Improvement and Operations.....	2,153	-	2,153	2,153	-
Grants.....	121	-	121	121	-
Other Special Revenue - Unbudgeted.....	<u>9,244</u>	<u>-</u>	<u>9,244</u>	<u>9,244</u>	<u>-</u>
Total Special Revenue Funds.....	<u>42,521</u>	<u>-</u>	<u>42,521</u>	<u>42,521</u>	<u>-</u>
Debt Service Funds:					
City of San Diego:					
McGuigan Loan Fund.....	8,008	-	8,008	8,008	-
Public Facilities Financing Authority.....	<u>8,127</u>	<u>-</u>	<u>8,127</u>	<u>8,127</u>	<u>-</u>
Total Debt Service Funds.....	<u>16,135</u>	<u>-</u>	<u>16,135</u>	<u>16,135</u>	<u>-</u>
Capital Projects Funds:					
City of San Diego:					
Other Construction.....	<u>19,624</u>	<u>-</u>	<u>19,624</u>	<u>19,624</u>	<u>-</u>
<b>TOTAL TRANSFERS TO OTHER FUNDS.....</b>	<u>78,280</u>	<u>-</u>	<u>78,280</u>	<u>78,280</u>	<u>-</u>
<b>TOTAL EXPENDITURES AND TRANSFERS.....</b>	<u>\$ 1,171,749</u>	<u>\$ 8,714</u>	<u>\$ 1,180,463</u>	<u>\$ 1,192,691</u>	<u>\$ 12,228</u>

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## NONMAJOR GOVERNMENTAL FUNDS





**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2013  
(Dollars in Thousands)**

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and Investments .....	\$ 268,661	\$ 3	\$ 345,752	\$ -	\$ 614,416
Receivables:					
Taxes - Net of Allowance for Uncollectibles .....	22,062	-	-	-	22,062
Accounts - Net of Allowance for Uncollectibles .....	9,406	5,217	67,649	1	82,273
Claims .....	8	-	-	-	8
Special Assessments .....	435	-	-	-	435
Notes .....	203,062	-	31,360	-	234,422
Loans .....	69,669	-	-	-	69,669
Accrued Interest .....	275	13	356	12	656
Grants .....	18,078	-	16,013	-	34,091
Advances to Other Funds .....	-	-	5,725	-	5,725
Advances to Other Agencies .....	13,020	-	-	-	13,020
Land Held for Resale .....	32,212	-	-	-	32,212
Prepaid Items .....	22	-	-	-	22
Restricted Cash and Investments .....	4,084	29,285	80,569	19,688	133,626
<b>TOTAL ASSETS</b> .....	<b>\$ 640,994</b>	<b>\$ 34,518</b>	<b>\$ 547,424</b>	<b>\$ 19,701</b>	<b>\$ 1,242,637</b>
<b>LIABILITIES</b>					
Accounts Payable .....	\$ 31,054	\$ -	\$ 20,608	\$ -	\$ 51,662
Accrued Wages and Benefits .....	577	-	-	-	577
Other Accrued Liabilities .....	436	-	-	-	436
Due to Other Agencies .....	332	-	28	-	360
Unearned Revenue .....	3,504	-	28,086	-	31,590
Deferred Revenue .....	15,352	5,217	82,166	1	102,736
Sundry Trust Liabilities .....	104	-	-	-	104
Advances from Other Funds .....	6,818	-	600	-	7,418
Contract Deposits .....	121	-	-	-	121
<b>TOTAL LIABILITIES</b> .....	<b>58,298</b>	<b>5,217</b>	<b>131,488</b>	<b>1</b>	<b>195,004</b>
<b>FUND BALANCES</b>					
Nonspendable.....	64,059	-	32,058	19,689	115,806
Restricted.....	454,336	29,301	383,102	11	866,750
Committed.....	72,741	-	14,914	-	87,655
Unassigned.....	(8,440)	-	(14,138)	-	(22,578)
<b>TOTAL FUND BALANCES</b> .....	<b>582,696</b>	<b>29,301</b>	<b>415,936</b>	<b>19,700</b>	<b>1,047,633</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<b>\$ 640,994</b>	<b>\$ 34,518</b>	<b>\$ 547,424</b>	<b>\$ 19,701</b>	<b>\$ 1,242,637</b>

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2013**  
**(Dollars in Thousands)**

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Property Taxes .....	\$ 10,413	\$ -	\$ -	\$ -	\$ 10,413
Special Assessments .....	50,510	-	-	-	50,510
Sales Taxes .....	-	-	29,007	-	29,007
Transient Occupancy Taxes .....	75,590	-	-	-	75,590
Other Local Taxes .....	91,855	-	2	-	91,857
Licenses and Permits .....	597	-	18,293	-	18,890
Fines, Forfeitures and Penalties .....	1,605	-	-	-	1,605
Revenue from Use of Money and Property .....	19,626	537	2,781	1,787	24,731
Revenue from Federal Agencies .....	55,666	-	2,856	-	58,522
Revenue from Other Agencies .....	17,656	13,861	18,608	-	50,125
Revenue from Private Sources .....	3,886	-	67,175	135	71,196
Charges for Current Services .....	34,066	-	4	92	34,162
Other Revenue .....	11,159	4	980	-	12,143
<b>TOTAL REVENUES</b> .....	<b>372,629</b>	<b>14,402</b>	<b>139,706</b>	<b>2,014</b>	<b>528,751</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	15,052	-	2,793	-	17,845
Public Safety - Police .....	8,286	-	89	-	8,375
Public Safety - Fire, Life Safety and Homeland Security .....	26,996	-	23	-	27,019
Parks, Recreation, Culture and Leisure .....	104,698	-	1,296	191	106,185
Transportation .....	48,592	-	13,189	-	61,781
Sanitation and Health .....	2,178	-	521	-	2,699
Neighborhood Services .....	38,380	-	2,578	-	40,958
Capital Outlay .....	19,672	-	137,437	-	157,109
Debt Service:					
Principal Retirement .....	3,107	31,184	344	-	34,635
Cost of Issuance .....	-	814	-	-	814
Interest .....	625	31,777	92	-	32,494
Refunding Escrow .....	-	1,572	-	-	1,572
<b>TOTAL EXPENDITURES</b> .....	<b>267,586</b>	<b>65,347</b>	<b>158,362</b>	<b>191</b>	<b>491,486</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>105,043</b>	<b>(50,945)</b>	<b>(18,656)</b>	<b>1,823</b>	<b>37,265</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	2,254	819	64	-	3,137
Transfers from Other Funds .....	39,189	51,006	104,312	-	194,507
Transfers to Proprietary Funds .....	(2,172)	-	(2)	-	(2,174)
Transfers to Other Funds .....	(122,952)	(79,320)	(14,885)	(913)	(218,070)
Transfers to Escrow Agent .....	-	(18,973)	-	-	(18,973)
Proceeds from the Sale of Capital Assets .....	2	-	4,651	-	4,653
Revenue Bonds Issued .....	-	90,745	-	-	90,745
Premium on Bonds Issued .....	-	4,063	-	-	4,063
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(83,679)</b>	<b>48,340</b>	<b>94,140</b>	<b>(913)</b>	<b>57,888</b>
Extraordinary Gain (Loss) .....	91,590	-	(105,953)	-	(14,363)
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>112,954</b>	<b>(2,605)</b>	<b>(30,469)</b>	<b>910</b>	<b>80,790</b>
Fund Balances at Beginning of Year .....	469,742	31,906	446,405	18,790	966,843
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 582,696</b>	<b>\$ 29,301</b>	<b>\$ 415,936</b>	<b>\$ 19,700</b>	<b>\$ 1,047,633</b>

NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE



## SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than those for debt service or major capital projects) that are restricted or committed to expenditures for specified purposes.

### **CITY OF SAN DIEGO**

#### ACQUISITION, IMPROVEMENT AND OPERATIONS

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 therefrom are used exclusively for the purpose of preserving and enhancing the environment of the City. Two thirds of the franchise monies and the interest derived therefrom are used as matching funds for open space acquisition and for debt service of bonds if any bonds are outstanding. As of June 30, 2013, there were no bonds outstanding.

#### 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 SDG&E.

#### 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.

#### OTHER SPECIAL REVENUE - BUDGETED

This fund was established to account for revenues derived specifically for a variety of budgeted special programs administered by City departments such as 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.

#### LOW-MODERATE INCOME HOUSING

This fund was established to account for affordable housing assets transferred from the Successor Agency to the Successor Housing Entity, which is the City, as required by California Health and Safety Code Section 34176(d), due to the dissolution of the Redevelopment Agency. This fund will also account for any future revenues generated from the housing assets.

#### OTHER SPECIAL REVENUE FUND - UNBUDGETED

This fund was established to account for revenues earmarked for a variety of special programs administered by such City 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**

#### CIVIC SAN DIEGO

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

#### SAN DIEGO INDUSTRIAL DEVELOPMENT AUTHORITY

This fund was established to account for revenues and expenditures of the 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.

#### TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION

This fund was established to account for the activities of the TSRFC. TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's special revenue fund is used to account for the expenditures incurred for administrative services provided by the City.

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**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING BALANCE SHEET**  
**June 30, 2013**  
**(Dollars in Thousands)**

	City of San Diego	Civic San Diego	San Diego Industrial Development Authority	Tobacco Settlement Revenue Funding Corporation	Total
<b>ASSETS</b>					
Cash and Investments.....	\$ 262,181	\$ 6,413	\$ 67	\$ -	\$ 268,661
Receivables:					
Taxes - Net of Allowance for Uncollectibles .....	22,062	-	-	-	22,062
Accounts - Net of Allowance for Uncollectibles .....	7,880	1,526	-	-	9,406
Claims.....	8	-	-	-	8
Special Assessments.....	435	-	-	-	435
Notes.....	203,062	-	-	-	203,062
Loans.....	69,669	-	-	-	69,669
Accrued Interest.....	275	-	-	-	275
Grants.....	18,078	-	-	-	18,078
Advances to Other Agencies.....	13,020	-	-	-	13,020
Land Held for Resale.....	32,212	-	-	-	32,212
Prepaid Items.....	10	2	-	10	22
Restricted Cash and Investments.....	3,911	-	-	173	4,084
<b>TOTAL ASSETS.....</b>	<b>\$ 632,803</b>	<b>\$ 7,941</b>	<b>\$ 67</b>	<b>\$ 183</b>	<b>\$ 640,994</b>
<b>LIABILITIES</b>					
Accounts Payable.....	\$ 31,054	\$ -	\$ -	\$ -	\$ 31,054
Accrued Wages and Benefits.....	577	-	-	-	577
Other Accrued Liabilities.....	-	436	-	-	436
Due to Other Agencies.....	332	-	-	-	332
Unearned Revenue.....	3,504	-	-	-	3,504
Deferred Revenue.....	15,352	-	-	-	15,352
Sundry Trust Liabilities.....	104	-	-	-	104
Advances from Other Funds.....	-	6,818	-	-	6,818
Contract Deposits.....	10	111	-	-	121
<b>TOTAL LIABILITIES.....</b>	<b>50,933</b>	<b>7,365</b>	<b>-</b>	<b>-</b>	<b>58,298</b>
<b>FUND BALANCES</b>					
Nonspendable.....	64,049	-	-	10	64,059
Restricted.....	453,991	172	-	173	454,336
Committed.....	72,270	404	67	-	72,741
Unassigned.....	(8,440)	-	-	-	(8,440)
<b>TOTAL FUND BALANCES.....</b>	<b>581,870</b>	<b>576</b>	<b>67</b>	<b>183</b>	<b>582,696</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 632,803</b>	<b>\$ 7,941</b>	<b>\$ 67</b>	<b>\$ 183</b>	<b>\$ 640,994</b>



**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Year Ended June 30, 2013  
(Dollars in Thousands)

	City of San Diego	Civic San Diego	San Diego Industrial Development Authority	Tobacco Settlement Revenue Funding Corporation	Total
<b>REVENUES</b>					
Property Taxes.....	\$ 10,413	\$ -	\$ -	\$ -	\$ 10,413
Special Assessments.....	50,510	-	-	-	50,510
Transient Occupancy Taxes.....	75,590	-	-	-	75,590
Other Local Taxes.....	91,855	-	-	-	91,855
Licenses and Permits.....	597	-	-	-	597
Fines, Forfeitures and Penalties.....	1,605	-	-	-	1,605
Revenue from Use of Money and Property.....	19,599	26	1	-	19,626
Revenue from Federal Agencies.....	55,666	-	-	-	55,666
Revenue from Other Agencies.....	17,656	-	-	-	17,656
Revenue from Private Sources.....	3,886	-	-	-	3,886
Charges for Current Services.....	28,431	5,635	-	-	34,066
Other Revenue.....	11,092	67	-	-	11,159
<b>TOTAL REVENUES.....</b>	<b>366,900</b>	<b>5,728</b>	<b>1</b>	<b>-</b>	<b>372,629</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	7,959	7,052	-	41	15,052
Public Safety - Police.....	8,286	-	-	-	8,286
Public Safety - Fire and Life Safety and Homeland Security.....	26,996	-	-	-	26,996
Parks, Recreation, Culture and Leisure.....	104,698	-	-	-	104,698
Transportation.....	48,592	-	-	-	48,592
Sanitation and Health.....	2,178	-	-	-	2,178
Neighborhood Services.....	38,380	-	-	-	38,380
Capital Outlay.....	19,664	8	-	-	19,672
Debt Service:					
Principal Retirement.....	3,107	-	-	-	3,107
Interest.....	625	-	-	-	625
<b>TOTAL EXPENDITURES.....</b>	<b>260,485</b>	<b>7,060</b>	<b>-</b>	<b>41</b>	<b>267,586</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>106,415</b>	<b>(1,332)</b>	<b>1</b>	<b>(41)</b>	<b>105,043</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds.....	2,254	-	-	-	2,254
Transfers from Other Funds.....	39,146	-	-	43	39,189
Transfers to Proprietary Funds.....	(2,172)	-	-	-	(2,172)
Transfers to Other Funds.....	(122,952)	-	-	-	(122,952)
Proceeds from the Sale of Capital Assets.....	2	-	-	-	2
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(83,722)</b>	<b>-</b>	<b>-</b>	<b>43</b>	<b>(83,679)</b>
Extraordinary Gain.....	91,590	-	-	-	91,590
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>114,283</b>	<b>(1,332)</b>	<b>1</b>	<b>2</b>	<b>112,954</b>
Fund Balances at Beginning of Year.....	467,587	1,908	66	181	469,742
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 581,870</b>	<b>\$ 576</b>	<b>\$ 67</b>	<b>\$ 183</b>	<b>\$ 582,696</b>

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended June 30, 2013**  
**(Dollars in Thousands)**

	<u>City of San Diego</u>	
	<u>Actual on Budgetary Basis</u>	<u>Final Budget</u>
<b>REVENUES</b>		
Property Taxes.....	\$ 10,310	\$ 16,086
Special Assessments.....	50,510	50,419
Transient Occupancy Taxes.....	75,590	74,283
Other Local Taxes.....	91,774	97,443
Licenses and Permits.....	597	560
Fines, Forfeitures and Penalties.....	217	8
Revenue from Use of Money and Property.....	12,650	11,125
Revenue from Federal Agencies.....	1,762	1,010
Revenue from Other Agencies.....	15,821	4,500
Revenue from Private Sources.....	1,321	930
Charges for Current Services.....	22,466	19,197
Other Revenue.....	390	49
<b>TOTAL REVENUES.....</b>	<b>283,408</b>	<b>275,610</b>
<b>EXPENDITURES</b>		
Current:		
General Government and Support.....	4,529	15,460
Public Safety - Police.....	283	1,499
Public Safety - Fire and Life Safety and Homeland Security.....	7,355	7,409
Parks, Recreation, Culture and Leisure.....	104,510	127,001
Transportation.....	75,542	138,261
Sanitation and Health.....	1,303	1,641
Neighborhood Services.....	11,054	10,675
Capital Outlay.....	13,940	-
Debt Service:		
Principal Retirement.....	-	24
Interest.....	-	6
<b>TOTAL EXPENDITURES.....</b>	<b>218,516</b>	<b>301,976</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>64,892</b>	<b>(26,366)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from Proprietary Funds.....	3	-
Transfers from Other Funds.....	11,343	25,161
Transfers to Proprietary Funds.....	(95)	(95)
Transfers to Other Funds.....	(100,408)	(102,931)
Proceeds from the Sale of Capital Assets.....	2	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(89,155)</b>	<b>(77,865)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(24,263)</b>	<b>(104,231)</b>
Fund Balances - Beginning.....	142,535	142,535
<b>FUND BALANCES - ENDING.....</b>	<b>\$ 118,272</b>	<b>\$ 38,304</b>

Civic San Diego		Total		
Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 10,310	\$ 16,086	\$ (5,776)
-	-	50,510	50,419	91
-	-	75,590	74,283	1,307
-	-	91,774	97,443	(5,669)
-	-	597	560	37
-	-	217	8	209
26	-	12,676	11,125	1,551
-	-	1,762	1,010	752
-	-	15,821	4,500	11,321
-	-	1,321	930	391
5,635	5,895	28,101	25,092	3,009
67	-	457	49	408
<u>5,728</u>	<u>5,895</u>	<u>289,136</u>	<u>281,505</u>	<u>7,631</u>
7,052	6,065	11,581	21,525	(9,944)
-	-	283	1,499	(1,216)
-	-	7,355	7,409	(54)
-	-	104,510	127,001	(22,491)
-	-	75,542	138,261	(62,719)
-	-	1,303	1,641	(338)
-	-	11,054	10,675	379
8	-	13,948	-	13,948
-	-	-	24	(24)
-	-	-	6	(6)
<u>7,060</u>	<u>6,065</u>	<u>225,576</u>	<u>308,041</u>	<u>(82,465)</u>
<u>(1,332)</u>	<u>(170)</u>	<u>63,560</u>	<u>(26,536)</u>	<u>90,096</u>
-	-	3	-	3
-	-	11,343	25,161	(13,818)
-	-	(95)	(95)	-
-	-	(100,408)	(102,931)	2,523
-	-	2	-	2
-	-	(89,155)	(77,865)	(11,290)
(1,332)	(170)	(25,595)	(104,401)	78,806
<u>1,908</u>	<u>1,908</u>	<u>144,443</u>	<u>144,443</u>	<u>-</u>
<u>\$ 576</u>	<u>\$ 1,738</u>	<u>\$ 118,848</u>	<u>\$ 40,042</u>	<u>\$ 78,806</u>

CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING BALANCE SHEET  
June 30, 2013  
(Dollars in Thousands)

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Qualcomm Stadium Operations	Special Gas Tax Street Improvement	Street Division Operations
<b>ASSETS</b>					
Cash and Investments.....	\$ 28,592	\$ 249	\$ 4,364	\$ 5,567	\$ 785
Receivables:					
Taxes - Net of Allowance for Uncollectibles .....	-	2,930	-	-	-
Accounts - Net of Allowance for Uncollectibles .....	3,281	-	169	44	-
Claims.....	-	-	-	8	-
Special Assessments.....	435	-	-	-	-
Notes.....	-	-	-	-	-
Loans.....	-	-	-	-	-
Accrued Interest.....	34	12	6	9	-
Grants.....	-	-	-	-	-
Advances to Other Agencies.....	12,970	-	-	-	-
Land Held for Resale.....	-	-	-	-	-
Prepaid Items.....	-	-	-	-	-
Restricted Cash and Investments.....	-	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 45,312</b>	<b>\$ 3,191</b>	<b>\$ 4,539</b>	<b>\$ 5,628</b>	<b>\$ 785</b>
<b>LIABILITIES</b>					
Accounts Payable.....	\$ 5,861	\$ 18	\$ 634	\$ 1,210	\$ -
Accrued Wages and Benefits.....	188	-	154	-	-
Due to Other Agencies.....	-	-	-	-	-
Unearned Revenue.....	-	-	-	-	-
Deferred Revenue.....	940	-	169	52	-
Sundry Trust Liabilities.....	-	-	-	-	-
Contract Deposits.....	-	-	3	-	-
<b>TOTAL LIABILITIES.....</b>	<b>6,989</b>	<b>18</b>	<b>960</b>	<b>1,262</b>	<b>-</b>
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	-	-
Restricted.....	37,960	3,173	-	4,366	-
Committed.....	363	-	3,579	-	785
Unassigned.....	-	-	-	-	-
<b>TOTAL FUND BALANCES.....</b>	<b>38,323</b>	<b>3,173</b>	<b>3,579</b>	<b>4,366</b>	<b>785</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 45,312</b>	<b>\$ 3,191</b>	<b>\$ 4,539</b>	<b>\$ 5,628</b>	<b>\$ 785</b>

				Unbudgeted				
Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Low-Moderate			Total	
				Grants	Income Housing	Other Special Revenue		
\$ 16,208	\$ 52,737	\$ 408	\$ 27,604	\$ 2,295	\$ 17,671	\$ 105,701	\$ 262,181	
6,999	11,916	217	-	-	-	-	22,062	
1,620	-	-	1,672	5	8	1,081	7,880	
-	-	-	-	-	-	-	8	
-	-	-	-	-	-	-	435	
-	-	-	-	-	199,559	3,503	203,062	
-	-	-	-	64,039	-	5,630	69,669	
4	59	-	29	13	19	90	275	
-	-	-	-	18,078	-	-	18,078	
-	-	-	-	-	-	50	13,020	
-	-	-	-	-	32,212	-	32,212	
10	-	-	-	-	-	-	10	
-	-	-	-	-	2,802	1,109	3,911	
<u>\$ 24,841</u>	<u>\$ 64,712</u>	<u>\$ 625</u>	<u>\$ 29,305</u>	<u>\$ 84,430</u>	<u>\$ 252,271</u>	<u>\$ 117,164</u>	<u>\$ 632,803</u>	
\$ 3,994	\$ 9,788	\$ -	\$ 2,463	\$ 5,126	\$ 512	\$ 1,448	\$ 31,054	
58	13	-	158	-	-	6	577	
-	-	-	-	332	-	-	332	
-	-	-	-	3,504	-	-	3,504	
819	-	167	200	8,446	-	4,559	15,352	
-	-	-	-	-	104	-	104	
-	-	-	-	-	-	7	10	
<u>4,871</u>	<u>9,801</u>	<u>167</u>	<u>2,821</u>	<u>17,408</u>	<u>616</u>	<u>6,020</u>	<u>50,933</u>	
10	-	-	-	64,039	-	-	64,049	
-	54,911	458	20,365	11,423	251,655	69,680	453,991	
19,960	-	-	6,119	-	-	41,464	72,270	
-	-	-	-	(8,440)	-	-	(8,440)	
<u>19,970</u>	<u>54,911</u>	<u>458</u>	<u>26,484</u>	<u>67,022</u>	<u>251,655</u>	<u>111,144</u>	<u>581,870</u>	
<u>\$ 24,841</u>	<u>\$ 64,712</u>	<u>\$ 625</u>	<u>\$ 29,305</u>	<u>\$ 84,430</u>	<u>\$ 252,271</u>	<u>\$ 117,164</u>	<u>\$ 632,803</u>	

CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2013  
(Dollars in Thousands)

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Qualcomm Stadium Operations	Special Gas Tax Street Improvement	Street Division Operations
<b>REVENUES</b>					
Property Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments.....	50,510	-	-	-	-
Transient Occupancy Taxes.....	-	-	-	-	-
Other Local Taxes.....	-	11,643	-	20,409	-
Licenses and Permits.....	-	-	12	-	-
Fines, Forfeitures and Penalties.....	200	-	7	-	-
Revenue from Use of Money and Property.....	91	21	7,550	110	4
Revenue from Federal Agencies.....	-	-	-	-	-
Revenue from Other Agencies.....	-	-	-	-	-
Revenue from Private Sources.....	45	-	-	-	-
Charges for Current Services.....	4,695	-	248	1	276
Other Revenue.....	-	-	208	77	-
<b>TOTAL REVENUES.....</b>	<b>55,541</b>	<b>11,664</b>	<b>8,025</b>	<b>20,597</b>	<b>280</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	3,141	-	-	24	-
Public Safety - Police.....	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	-	-	-	-	-
Parks, Recreation, Culture and Leisure.....	38,770	1,998	10,761	-	-
Transportation.....	215	-	-	428	-
Sanitation and Health.....	-	-	-	-	-
Neighborhood Services.....	9,747	-	-	-	-
Capital Outlay.....	1,270	68	775	9,070	-
Debt Service:					
Principal Retirement.....	-	-	-	-	-
Interest.....	-	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>53,143</b>	<b>2,066</b>	<b>11,536</b>	<b>9,522</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>2,398</b>	<b>9,598</b>	<b>(3,511)</b>	<b>11,075</b>	<b>280</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds.....	3	-	-	-	-
Transfers from Other Funds.....	2,593	-	8,580	-	-
Transfers to Proprietary Funds.....	(9)	-	(60)	-	-
Transfers to Other Funds.....	(75)	(10,467)	(4,973)	(20,448)	(5)
Proceeds from the Sale of Capital Assets.....	2	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,514</b>	<b>(10,467)</b>	<b>3,547</b>	<b>(20,448)</b>	<b>(5)</b>
Extraordinary Gain (Loss).....	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>4,912</b>	<b>(869)</b>	<b>36</b>	<b>(9,373)</b>	<b>275</b>
Fund Balances at Beginning of Year.....	33,411	4,042	3,543	13,739	510
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 38,323</b>	<b>\$ 3,173</b>	<b>\$ 3,579</b>	<b>\$ 4,366</b>	<b>\$ 785</b>

Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Unbudgeted			Total
				Grants	Low-Moderate Income Housing	Other Special Revenue	
\$ -	\$ -	\$ 10,310	\$ -	\$ 68	\$ -	\$ 35	\$ 10,413
-	-	-	-	-	-	-	50,510
75,590	-	-	-	-	-	-	75,590
-	47,754	-	11,968	-	-	81	91,855
66	-	-	519	-	-	-	597
-	-	-	10	-	-	1,388	1,605
1,346	150	12	3,052	4	308	6,951	19,599
-	-	-	1,762	51,942	1,962	-	55,666
15,821	-	-	-	1,308	-	527	17,656
1,276	-	-	-	60	-	2,505	3,886
48	-	-	17,198	-	-	5,965	28,431
105	-	-	-	40	555	10,107	11,092
<u>94,252</u>	<u>47,904</u>	<u>10,322</u>	<u>34,509</u>	<u>53,422</u>	<u>2,825</u>	<u>27,559</u>	<u>366,900</u>
-	-	-	60	2,857	-	1,877	7,959
-	-	-	283	7,772	-	231	8,286
-	-	-	7,302	18,826	-	868	26,996
38,083	-	10,224	203	713	-	3,946	104,698
15	38,212	-	9,719	-	-	3	48,592
-	-	-	1,300	838	-	40	2,178
-	-	-	-	12,175	10,549	5,909	38,380
-	2,709	-	48	2,419	-	3,305	19,664
-	-	-	-	2,693	-	414	3,107
-	-	-	-	284	-	341	625
<u>38,098</u>	<u>40,921</u>	<u>10,224</u>	<u>18,915</u>	<u>48,577</u>	<u>10,549</u>	<u>16,934</u>	<u>260,485</u>
<u>56,154</u>	<u>6,983</u>	<u>98</u>	<u>15,594</u>	<u>4,845</u>	<u>(7,724)</u>	<u>10,625</u>	<u>106,415</u>
-	-	-	-	2,251	-	-	2,254
-	-	-	170	121	14,516	13,166	39,146
(1)	-	-	(25)	(1,485)	-	(592)	(2,172)
(50,603)	(566)	(12)	(13,259)	(3,989)	-	(18,555)	(122,952)
-	-	-	-	-	-	-	2
<u>(50,604)</u>	<u>(566)</u>	<u>(12)</u>	<u>(13,114)</u>	<u>(3,102)</u>	<u>14,516</u>	<u>(5,981)</u>	<u>(83,722)</u>
-	-	-	-	(153,053)	244,863	(220)	91,590
5,550	6,417	86	2,480	(151,310)	251,655	4,424	114,283
<u>14,420</u>	<u>48,494</u>	<u>372</u>	<u>24,004</u>	<u>218,332</u>	<u>-</u>	<u>106,720</u>	<u>467,587</u>
<u>\$ 19,970</u>	<u>\$ 54,911</u>	<u>\$ 458</u>	<u>\$ 26,484</u>	<u>\$ 67,022</u>	<u>\$ 251,655</u>	<u>\$ 111,144</u>	<u>\$ 581,870</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, 2013  
(Dollars 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.....	\$ -	\$ -	\$ -	\$ 5,862	\$ (5,862)
Special Assessments.....	50,510	-	50,510	50,419	91
Transient Occupancy Taxes.....	-	-	-	-	-
Other Local Taxes.....	-	-	-	-	-
Licenses and Permits.....	-	-	-	-	-
Fines, Forfeitures and Penalties.....	200	-	200	-	200
Revenue from Use of Money and Property.....	91	75	166	108	58
Revenue from Federal Agencies.....	-	-	-	-	-
Revenue from Other Agencies.....	-	-	-	-	-
Revenue from Private Sources.....	45	-	45	-	45
Charges for Current Services.....	4,695	-	4,695	2,077	2,618
Other Revenue.....	-	-	-	5	(5)
<b>TOTAL REVENUES.....</b>	<b>55,541</b>	<b>75</b>	<b>55,616</b>	<b>58,471</b>	<b>(2,855)</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	3,141	1,304	4,445	15,297	10,852
Public Safety - Police.....	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	-	-	-	-	-
Parks, Recreation, Culture and Leisure.....	38,770	4,277	43,047	57,663	14,616
Transportation.....	215	-	215	-	(215)
Sanitation and Health.....	-	-	-	-	-
Neighborhood Services.....	9,747	1,307	11,054	10,675	(379)
Capital Outlay.....	1,270	-	1,270	-	(1,270)
Debt Service:					
Principal Retirement.....	-	-	-	-	-
Interest.....	-	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>53,143</b>	<b>6,888</b>	<b>60,031</b>	<b>83,635</b>	<b>23,604</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>2,398</b>	<b>(6,813)</b>	<b>(4,415)</b>	<b>(25,164)</b>	<b>20,749</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds.....	3	-	3	-	3
Transfers from Other Funds.....	2,593	-	2,593	5,661	(3,068)
Transfers to Proprietary Funds.....	(9)	-	(9)	(9)	-
Transfers to Other Funds.....	(75)	-	(75)	(411)	336
Proceeds from the Sale of Capital Assets.....	2	-	2	-	2
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,514</b>	<b>-</b>	<b>2,514</b>	<b>5,241</b>	<b>(2,727)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>4,912</b>	<b>(6,813)</b>	<b>(1,901)</b>	<b>(19,923)</b>	<b>18,022</b>
Fund Balances - Beginning.....	33,411	-	33,411	33,411	-
<b>FUND BALANCES - ENDING.....</b>	<b>\$ 38,323</b>	<b>\$ (6,813)</b>	<b>\$ 31,510</b>	<b>\$ 13,488</b>	<b>\$ 18,022</b>



Environmental Growth					Qualcomm Stadium 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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
11,643	-	11,643	12,579	(936)	-	-	-	-	-
-	-	-	-	-	12	-	12	8	4
-	-	-	-	-	7	-	7	7	-
21	9	30	108	(78)	7,550	12	7,562	6,236	1,326
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	248	-	248	49	199
-	-	-	-	-	208	-	208	44	164
11,664	9	11,673	12,687	(1,014)	8,025	12	8,037	6,344	1,693
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,998	54	2,052	3,709	1,657	10,761	89	10,850	12,722	1,872
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
68	-	68	-	(68)	775	-	775	-	(775)
-	-	-	-	-	-	-	-	24	24
-	-	-	-	-	-	-	-	6	6
2,066	54	2,120	3,709	1,589	11,536	89	11,625	12,752	1,127
9,598	(45)	9,553	8,978	575	(3,511)	(77)	(3,588)	(6,408)	2,820
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	8,580	-	8,580	8,580	-
-	-	-	-	-	(60)	-	(60)	(60)	-
(10,467)	-	(10,467)	(10,495)	28	(4,973)	-	(4,973)	(5,004)	31
-	-	-	-	-	-	-	-	-	-
(10,467)	-	(10,467)	(10,495)	28	3,547	-	3,547	3,516	31
(869)	(45)	(914)	(1,517)	603	36	(77)	(41)	(2,892)	2,851
4,042	-	4,042	4,042	-	3,543	-	3,543	3,543	-
\$ 3,173	\$ (45)	\$ 3,128	\$ 2,525	\$ 603	\$ 3,579	\$ (77)	\$ 3,502	\$ 651	\$ 2,851

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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, 2013  
 (Dollars in Thousands)

	Special Gas Tax Street Improvement				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.....	20,409	-	20,409	20,671	(262)
Licenses and Permits.....	-	-	-	-	-
Fines, Forfeitures and Penalties.....	-	-	-	-	-
Revenue from Use of Money and Property.....	110	28	138	249	(111)
Revenue from Federal Agencies.....	-	-	-	-	-
Revenue from Other Agencies.....	-	-	-	-	-
Revenue from Private Sources.....	-	-	-	-	-
Charges for Current Services.....	1	-	1	-	1
Other Revenue.....	77	-	77	-	77
<b>TOTAL REVENUES.....</b>	<b>20,597</b>	<b>28</b>	<b>20,625</b>	<b>20,920</b>	<b>(295)</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	24	-	24	95	71
Public Safety - Police.....	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	-	-	-	-	-
Parks, Recreation, Culture and Leisure.....	-	-	-	-	-
Transportation.....	428	851	1,279	11,791	10,512
Sanitation and Health.....	-	-	-	-	-
Neighborhood Services.....	-	-	-	-	-
Capital Outlay.....	9,070	-	9,070	-	(9,070)
Debt Service:					
Principal Retirement.....	-	-	-	-	-
Interest.....	-	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>9,522</b>	<b>851</b>	<b>10,373</b>	<b>11,886</b>	<b>1,513</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>11,075</b>	<b>(823)</b>	<b>10,252</b>	<b>9,034</b>	<b>1,218</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds.....	-	-	-	-	-
Transfers from Other Funds.....	-	-	-	-	-
Transfers to Proprietary Funds.....	-	-	-	-	-
Transfers to Other Funds.....	(20,448)	-	(20,448)	(20,928)	480
Proceeds from the Sale of Capital Assets.....	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(20,448)</b>	<b>-</b>	<b>(20,448)</b>	<b>(20,928)</b>	<b>480</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(9,373)</b>	<b>(823)</b>	<b>(10,196)</b>	<b>(11,894)</b>	<b>1,698</b>
Fund Balances - Beginning.....	13,739	-	13,739	13,739	-
<b>FUND BALANCES - ENDING.....</b>	<b>\$ 4,366</b>	<b>\$ (823)</b>	<b>\$ 3,543</b>	<b>\$ 1,845</b>	<b>\$ 1,698</b>

Street Division Operations					Transient Occupancy Tax				
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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	75,590	-	75,590	74,283	1,307
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	66	-	66	50	16
-	-	-	-	-	-	-	-	-	-
4	-	4	4	-	1,346	8	1,354	1,081	273
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	15,821	-	15,821	4,500	11,321
-	-	-	-	-	1,276	-	1,276	930	346
276	-	276	-	276	48	-	48	100	(52)
-	-	-	-	-	105	-	105	-	105
280	-	280	4	276	94,252	8	94,260	80,944	13,316
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	38,083	51	38,134	42,484	4,350
-	-	-	315	315	15	-	15	27	12
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	315	315	38,098	51	38,149	42,511	4,362
280	-	280	(311)	591	56,154	(43)	56,111	38,433	17,678
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	10,770	(10,770)
-	-	-	-	-	(1)	-	(1)	(1)	-
(5)	-	(5)	(5)	-	(50,603)	-	(50,603)	(50,621)	18
-	-	-	-	-	-	-	-	-	-
(5)	-	(5)	(5)	-	(50,604)	-	(50,604)	(39,852)	(10,752)
275	-	275	(316)	591	5,550	(43)	5,507	(1,419)	6,926
510	-	510	510	-	14,420	-	14,420	14,420	-
\$ 785	\$ -	\$ 785	\$ 194	\$ 591	\$ 19,970	\$ (43)	\$ 19,927	\$ 13,001	\$ 6,926

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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, 2013  
 (Dollars in Thousands)

	Underground Surcharge				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.....	47,754	-	47,754	48,945	(1,191)
Licenses and Permits.....	-	-	-	-	-
Fines, Forfeitures and Penalties.....	-	-	-	-	-
Revenue from Use of Money and Property.....	150	118	268	500	(232)
Revenue from Federal Agencies.....	-	-	-	-	-
Revenue from Other Agencies.....	-	-	-	-	-
Revenue from Private Sources.....	-	-	-	-	-
Charges for Current Services.....	-	-	-	-	-
Other Revenue.....	-	-	-	-	-
<b>TOTAL REVENUES.....</b>	<b>47,904</b>	<b>118</b>	<b>48,022</b>	<b>49,445</b>	<b>(1,423)</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.....	-	-	-	-	-
Transportation.....	38,212	18,364	56,576	98,055	41,479
Sanitation and Health.....	-	-	-	-	-
Neighborhood Services.....	-	-	-	-	-
Capital Outlay.....	2,709	-	2,709	-	(2,709)
Debt Service:					
Principal Retirement.....	-	-	-	-	-
Interest.....	-	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>40,921</b>	<b>18,364</b>	<b>59,285</b>	<b>98,055</b>	<b>38,770</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>6,983</b>	<b>(18,246)</b>	<b>(11,263)</b>	<b>(48,610)</b>	<b>37,347</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds.....	-	-	-	-	-
Transfers from Other Funds.....	-	-	-	-	-
Transfers to Proprietary Funds.....	-	-	-	-	-
Transfers to Other Funds.....	(566)	-	(566)	(566)	-
Proceeds from the Sale of Capital Assets.....	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(566)</b>	<b>-</b>	<b>(566)</b>	<b>(566)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>6,417</b>	<b>(18,246)</b>	<b>(11,829)</b>	<b>(49,176)</b>	<b>37,347</b>
Fund Balances - Beginning.....	48,494	-	48,494	48,494	-
<b>FUND BALANCES - ENDING.....</b>	<b>\$ 54,911</b>	<b>\$ (18,246)</b>	<b>\$ 36,665</b>	<b>\$ (682)</b>	<b>\$ 37,347</b>

Zoological Exhibits					Other Special Revenue				
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)
\$ 10,310	\$ -	\$ 10,310	\$ 10,224	\$ 86	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	11,968	-	11,968	15,248	(3,280)
-	-	-	-	-	519	-	519	502	17
-	-	-	-	-	10	-	10	1	9
12	-	12	12	-	3,052	64	3,116	2,827	289
-	-	-	-	-	1,762	-	1,762	1,010	752
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	17,198	-	17,198	16,971	227
-	-	-	-	-	-	-	-	-	-
10,322	-	10,322	10,236	86	34,509	64	34,573	36,559	(1,986)
-	-	-	-	-	60	-	60	68	8
-	-	-	-	-	283	-	283	1,499	1,216
-	-	-	-	-	7,302	53	7,355	7,409	54
10,224	-	10,224	10,224	-	203	-	203	199	(4)
-	-	-	-	-	9,719	7,738	17,457	28,073	10,616
-	-	-	-	-	1,300	3	1,303	1,641	338
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	48	-	48	-	(48)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
10,224	-	10,224	10,224	-	18,915	7,794	26,709	38,889	12,180
98	-	98	12	86	15,594	(7,730)	7,864	(2,330)	10,194
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	170	-	170	150	20
-	-	-	-	-	(25)	-	(25)	(25)	-
(12)	-	(12)	(12)	-	(13,259)	-	(13,259)	(14,889)	1,630
-	-	-	-	-	-	-	-	-	-
(12)	-	(12)	(12)	-	(13,114)	-	(13,114)	(14,764)	1,650
86	-	86	-	86	2,480	(7,730)	(5,250)	(17,094)	11,844
372	-	372	372	-	24,004	-	24,004	24,004	-
\$ 458	\$ -	\$ 458	\$ 372	\$ 86	\$ 26,484	\$ (7,730)	\$ 18,754	\$ 6,910	\$ 11,844

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, 2013  
 (Dollars in Thousands)

	Total				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>REVENUES</b>					
Property Taxes.....	\$ 10,310	\$ -	\$ 10,310	\$ 16,086	\$ (5,776)
Special Assessments.....	50,510	-	50,510	50,419	91
Transient Occupancy Taxes.....	75,590	-	75,590	74,283	1,307
Other Local Taxes.....	91,774	-	91,774	97,443	(5,669)
Licenses and Permits.....	597	-	597	560	37
Fines, Forfeitures and Penalties.....	217	-	217	8	209
Revenue from Use of Money and Property.....	12,336	314	12,650	11,125	1,525
Revenue from Federal Agencies.....	1,762	-	1,762	1,010	752
Revenue from Other Agencies.....	15,821	-	15,821	4,500	11,321
Revenue from Private Sources.....	1,321	-	1,321	930	391
Charges for Current Services.....	22,466	-	22,466	19,197	3,269
Other Revenue.....	390	-	390	49	341
<b>TOTAL REVENUES.....</b>	<b>283,094</b>	<b>314</b>	<b>283,408</b>	<b>275,610</b>	<b>7,798</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	3,225	1,304	4,529	15,460	10,931
Public Safety - Police.....	283	-	283	1,499	1,216
Public Safety - Fire and Life Safety and Homeland Security.....	7,302	53	7,355	7,409	54
Parks, Recreation, Culture and Leisure.....	100,039	4,471	104,510	127,001	22,491
Transportation.....	48,589	26,953	75,542	138,261	62,719
Sanitation and Health.....	1,300	3	1,303	1,641	338
Neighborhood Services.....	9,747	1,307	11,054	10,675	(379)
Capital Outlay.....	13,940	-	13,940	-	(13,940)
Debt Service:					
Principal Retirement.....	-	-	-	24	24
Interest.....	-	-	-	6	6
<b>TOTAL EXPENDITURES.....</b>	<b>184,425</b>	<b>34,091</b>	<b>218,516</b>	<b>301,976</b>	<b>83,460</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>98,669</b>	<b>(33,777)</b>	<b>64,892</b>	<b>(26,366)</b>	<b>91,258</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds.....	3	-	3	-	3
Transfers from Other Funds.....	11,343	-	11,343	25,161	(13,818)
Transfers to Proprietary Funds.....	(95)	-	(95)	(95)	-
Transfers to Other Funds.....	(100,408)	-	(100,408)	(102,931)	2,523
Proceeds from the Sale of Capital Assets.....	2	-	2	-	2
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(89,155)</b>	<b>-</b>	<b>(89,155)</b>	<b>(77,865)</b>	<b>(11,290)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>9,514</b>	<b>(33,777)</b>	<b>(24,263)</b>	<b>(104,231)</b>	<b>79,968</b>
Fund Balances - Beginning.....	142,535	-	142,535	142,535	-
<b>FUND BALANCES - ENDING.....</b>	<b>\$ 152,049</b>	<b>\$ (33,777)</b>	<b>\$ 118,272</b>	<b>\$ 38,304</b>	<b>\$ 79,968</b>

**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
ENVIRONMENTAL GROWTH FUND  
COMBINING BALANCE SHEET  
June 30, 2013  
(Dollars in Thousands)**

	<u>Two-Thirds Requirement</u>	<u>One-Third Requirement</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Investments.....	\$ 51	\$ 198	\$ 249
Receivables:			
Taxes .....	1,953	977	2,930
Accrued Interest.....	9	3	12
<b>TOTAL ASSETS.....</b>	<u>\$ 2,013</u>	<u>\$ 1,178</u>	<u>\$ 3,191</u>
<b>LIABILITIES</b>			
Accounts Payable.....	\$ -	\$ 18	\$ 18
<b>FUND BALANCES</b>			
Restricted .....	2,013	1,160	3,173
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<u>\$ 2,013</u>	<u>\$ 1,178</u>	<u>\$ 3,191</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2013  
(Dollars in Thousands)**

	<u>Two-Thirds Requirement</u>	<u>One-Third Requirement</u>	<u>Total</u>
<b>REVENUES</b>			
Other Local Taxes.....	\$ 7,762	\$ 3,881	\$ 11,643
Revenue from Use of Money and Property.....	16	5	21
<b>TOTAL REVENUES.....</b>	<u>7,778</u>	<u>3,886</u>	<u>11,664</u>
<b>EXPENDITURES</b>			
Current:			
Parks, Recreation, Culture and Leisure.....	-	1,998	1,998
Capital Outlay.....	55	13	68
<b>TOTAL EXPENDITURES.....</b>	<u>55</u>	<u>2,011</u>	<u>2,066</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES.....</b>	<u>7,723</u>	<u>1,875</u>	<u>9,598</u>
<b>OTHER FINANCING USES</b>			
Transfers to Other Funds.....	(8,078)	(2,389)	(10,467)
<b>NET CHANGE IN FUND BALANCES.....</b>	(355)	(514)	(869)
Fund Balances at Beginning of Year.....	2,368	1,674	4,042
<b>FUND BALANCES AT END OF YEAR.....</b>	<u>\$ 2,013</u>	<u>\$ 1,160</u>	<u>\$ 3,173</u>

**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, 2013**  
**(Dollars 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.....	\$ 7,762	\$ -	\$ 7,762	\$ 8,386	\$ (624)
Revenue from Use of Money and Property.....	16	6	22	54	(32)
<b>TOTAL REVENUES.....</b>	<b>7,778</b>	<b>6</b>	<b>7,784</b>	<b>8,440</b>	<b>(656)</b>
<b>EXPENDITURES</b>					
Current:					
Parks, Recreation, Culture and Leisure.....	-	37	37	1,309	1,272
Capital Outlay.....	55	-	55	-	(55)
<b>TOTAL EXPENDITURES.....</b>	<b>55</b>	<b>37</b>	<b>92</b>	<b>1,309</b>	<b>1,217</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>7,723</b>	<b>(31)</b>	<b>7,692</b>	<b>7,131</b>	<b>561</b>
<b>OTHER FINANCING USES</b>					
Transfers to Other Funds.....	(8,078)	-	(8,078)	(8,078)	-
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(355)</b>	<b>(31)</b>	<b>(386)</b>	<b>(947)</b>	<b>561</b>
Fund Balances - Beginning .....	2,368	-	2,368	2,368	-
<b>FUND BALANCES - ENDING .....</b>	<b>\$ 2,013</b>	<b>\$ (31)</b>	<b>\$ 1,982</b>	<b>\$ 1,421</b>	<b>\$ 561</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)
\$ 3,881	\$ -	\$ 3,881	\$ 4,193	\$ (312)	\$ 11,643	\$ -	\$ 11,643	\$ 12,579	\$ (936)
5	3	8	54	(46)	21	9	30	108	(78)
3,886	3	3,889	4,247	(358)	11,664	9	11,673	12,687	(1,014)
1,998	17	2,015	2,400	385	1,998	54	2,052	3,709	1,657
13	-	13	-	(13)	68	-	68	-	(68)
2,011	17	2,028	2,400	372	2,066	54	2,120	3,709	1,589
1,875	(14)	1,861	1,847	14	9,598	(45)	9,553	8,978	575
(2,389)	-	(2,389)	(2,417)	28	(10,467)	-	(10,467)	(10,495)	28
(514)	(14)	(528)	(570)	42	(869)	(45)	(914)	(1,517)	603
1,674	-	1,674	1,674	-	4,042	-	4,042	4,042	-
<u>\$ 1,160</u>	<u>\$ (14)</u>	<u>\$ 1,146</u>	<u>\$ 1,104</u>	<u>\$ 42</u>	<u>\$ 3,173</u>	<u>\$ (45)</u>	<u>\$ 3,128</u>	<u>\$ 2,525</u>	<u>\$ 603</u>

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NONMAJOR GOVERNMENTAL FUNDS  
DEBT SERVICE



## DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for general long-term debt principal, interest, and related costs.

### **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 transferred from the County.

#### MCGUIGAN LOAN FUND

This fund was established to account for the initial receipt and principal and interest payments related to a loan from Bank of America; the proceeds of which were used to satisfy the outstanding obligation of the McGuigan Settlement. This loan is serviced by contributions from various operating departments within the City.

### **BLENDED COMPONENT UNITS**

#### CITY OF SAN DIEGO/METROPOLITAN TRANSIT DEVELOPMENT BOARD AUTHORITY

This fund was established to account for the debt service activities of the City/MTDB Authority. City/MTDB Authority is a joint powers authority 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, 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 CCEFA. CCEFA, created by the City and the Port of San Diego, facilitates the financing, acquisition and construction of an expansion to the San Diego Convention Center. CCEFA's debt service fund is used to account for the payment of long-term debt principal and interest.

#### PUBLIC FACILITIES FINANCING AUTHORITY

This fund was established to account for the debt service activities of the PFFA. PFFA, a joint powers authority consisting of the City, the Successor Agency and the Housing Authority of the City of San Diego, facilitates the financing, acquisition and construction of public capital facility improvements. PFFA's debt service fund is used to account for the payment of long-term debt principal and interest.

#### SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION

This fund was established to account for the debt service activities of the SDFELC. SDFELC was established to acquire and lease to the City 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 TSRFC. TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's debt service fund is used to account for the payment of long-term debt principal and interest.

**NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
COMBINING BALANCE SHEET  
June 30, 2013  
(Dollars in Thousands)**

	City of San Diego	City of San Diego/MTDB Authority	Convention Center Expansion Financing Authority
<b>ASSETS</b>			
Cash and Investments.....	\$ -	\$ -	\$ -
Receivables:			
Accounts.....	-	-	-
Accrued Interest.....	-	-	-
Restricted Cash and Investments.....	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>			
Deferred Revenue.....	\$ -	\$ -	\$ -
<b>FUND BALANCES</b>			
Restricted.....	-	-	-
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>Public Facilities Financing Authority</b>	<b>San Diego Facilities and Equipment Leasing Corporation</b>	<b>Tobacco Settlement Revenue Funding Corporation</b>	<b>Total</b>
\$ 3	\$ -	\$ -	\$ 3
-	-	5,217	5,217
13	-	-	13
<u>16,908</u>	<u>-</u>	<u>12,377</u>	<u>29,285</u>
<u>\$ 16,924</u>	<u>\$ -</u>	<u>\$ 17,594</u>	<u>\$ 34,518</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,217</u>	<u>\$ 5,217</u>
<u>16,924</u>	<u>-</u>	<u>12,377</u>	<u>29,301</u>
<u>\$ 16,924</u>	<u>\$ -</u>	<u>\$ 17,594</u>	<u>\$ 34,518</u>

**NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Year Ended June 30, 2013  
(Dollars in Thousands)

	City of San Diego	City of San Diego/MTDB Authority	Convention Center Expansion Financing Authority
<b>REVENUES</b>			
Revenue from Use of Money and Property.....	\$ -	\$ -	\$ 7
Revenue from Other Agencies.....	-	-	-
Other Revenue.....	-	-	-
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>-</b>	<b>7</b>
<b>EXPENDITURES</b>			
Current:			
Debt Service:			
Principal Retirement.....	8,029	745	7,410
Cost of Issuance.....	-	-	125
Interest.....	965	408	5,151
Refunding Escrow.....	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>8,994</b>	<b>1,153</b>	<b>12,686</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES.....</b>	<b>(8,994)</b>	<b>(1,153)</b>	<b>(12,679)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Proprietary Funds.....	819	-	-
Transfers from Other Funds.....	8,175	1,153	12,524
Transfers to Other Funds.....	(516)	-	-
Transfers to Escrow Agent.....	-	-	-
Revenue Bonds Issued.....	-	-	-
Premium on Bonds Issued.....	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>8,478</b>	<b>1,153</b>	<b>12,524</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(516)</b>	<b>-</b>	<b>(155)</b>
Fund Balances at Beginning of Year.....	516	-	155
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



<u>Public Facilities Financing Authority</u>	<u>San Diego Facilities and Equipment Leasing Corporation</u>	<u>Tobacco Settlement Revenue Funding Corporation</u>	<u>Total</u>
\$ 40	\$ -	\$ 490	\$ 537
-	-	13,861	13,861
<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>
<u>44</u>	<u>-</u>	<u>14,351</u>	<u>14,402</u>
9,945	495	4,560	31,184
689	-	-	814
18,862	258	6,133	31,777
<u>1,572</u>	<u>-</u>	<u>-</u>	<u>1,572</u>
<u>31,068</u>	<u>753</u>	<u>10,693</u>	<u>65,347</u>
<u>(31,024)</u>	<u>(753)</u>	<u>3,658</u>	<u>(50,945)</u>
-	-	-	819
28,401	753	-	51,006
(75,000)	-	(3,804)	(79,320)
(18,973)	-	-	(18,973)
90,745	-	-	90,745
<u>4,063</u>	<u>-</u>	<u>-</u>	<u>4,063</u>
<u>29,236</u>	<u>753</u>	<u>(3,804)</u>	<u>48,340</u>
(1,788)	-	(146)	(2,605)
<u>18,712</u>	<u>-</u>	<u>12,523</u>	<u>31,906</u>
<u>\$ 16,924</u>	<u>\$ -</u>	<u>\$ 12,377</u>	<u>\$ 29,301</u>

**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2013  
(Dollars in Thousands)**

	<u>Budgeted</u>	<u>Unbudgeted</u>	
	<u>Public Safety</u>	<u>McGuigan</u>	
	<u>Communications</u>	<u>Loan</u>	
	<u>Project</u>	<u>Fund</u>	<u>Total</u>
<b>EXPENDITURES</b>			
Debt Service:			
Principal Retirement.....	\$ -	\$ 8,029	\$ 8,029
Interest.....	-	965	965
<b>TOTAL EXPENDITURES.....</b>	<b>-</b>	<b>8,994</b>	<b>8,994</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES.....</b>	<b>-</b>	<b>(8,994)</b>	<b>(8,994)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Proprietary Funds.....	-	819	819
Transfers from Other Funds.....	-	8,175	8,175
Transfers to Other Funds.....	(516)	-	(516)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(516)</b>	<b>8,994</b>	<b>8,478</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(516)</b>	<b>-</b>	<b>(516)</b>
Fund Balances at Beginning of Year.....	516	-	516
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
Year Ended June 30, 2013  
(Dollars in Thousands)**

	<u>Public Safety Communications Project</u>				
	<u>Actual</u>	<u>Adjustment</u>	<u>Actual</u>	<u>Final</u>	<u>Variance with</u>
		<u>to Budgetary</u>	<u>on Budgetary</u>	<u>Budget</u>	<u>Final Budget</u>
		<u>Basis</u>	<u>Basis</u>		<u>Positive</u>
					<u>(Negative)</u>
<b>OTHER FINANCING USES</b>					
Transfers to Other Funds.....	\$ (516)	\$ -	\$ (516)	\$ (516)	\$ -
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(516)</b>	<b>-</b>	<b>(516)</b>	<b>(516)</b>	<b>-</b>
Fund Balance - Beginning .....	516	-	516	516	-
<b>FUND BALANCE - ENDING.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS



## CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities.

### **CITY OF SAN DIEGO**

#### 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 former RDA, and related costs, pursuant to the Cooperation Agreement between the City and the RDA for the implementation of redevelopment projects. The Cooperation Agreement was invalidated under ABX1 26. The assets and liabilities of this fund were transferred to the Successor Agency Private-Purpose Trust Fund in fiscal year 2013.

## **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 and the former RDA, facilitates the financing and construction of public capital improvements. PFFA's current members are the City, the Successor Agency and the Housing Authority of the City of San Diego. Revenues are derived from the issuance of bonds and interest earnings on investments.

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**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING BALANCE SHEET**  
**June 30, 2013**  
**(Dollars in Thousands)**

	<u>City of San Diego</u>	<u>Public Facilities Financing Authority</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Investments.....	\$ 340,542	\$ 5,210	\$ 345,752
Receivables:			
Accounts.....	67,649	-	67,649
Notes.....	31,360	-	31,360
Accrued Interest.....	317	39	356
Grants.....	16,013	-	16,013
Advances to Other Funds.....	5,725	-	5,725
Restricted Cash and Investments.....	4,430	76,139	80,569
<b>TOTAL ASSETS.....</b>	<b>\$ 466,036</b>	<b>\$ 81,388</b>	<b>\$ 547,424</b>
<b>LIABILITIES</b>			
Accounts Payable.....	\$ 16,198	\$ 4,410	\$ 20,608
Due to Other Agencies.....	28	-	28
Unearned Revenue.....	28,086	-	28,086
Deferred Revenue.....	82,166	-	82,166
Advances from Other Funds.....	600	-	600
<b>TOTAL LIABILITIES.....</b>	<b>127,078</b>	<b>4,410</b>	<b>131,488</b>
<b>FUND BALANCES</b>			
Nonspendable.....	32,058	-	32,058
Restricted.....	306,124	76,978	383,102
Committed.....	14,914	-	14,914
Unassigned.....	(14,138)	-	(14,138)
<b>TOTAL FUND BALANCES.....</b>	<b>338,958</b>	<b>76,978</b>	<b>415,936</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 466,036</b>	<b>\$ 81,388</b>	<b>\$ 547,424</b>



**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Year Ended June 30, 2013  
(Dollars in Thousands)

	City of San Diego	Public Facilities Financing Authority	Total
<b>REVENUES</b>			
Sales Taxes.....	\$ 29,007	\$ -	\$ 29,007
Other Local Taxes.....	2	-	2
Licenses and Permits.....	18,293	-	18,293
Revenue from Use of Money and Property.....	2,492	289	2,781
Revenue from Federal Agencies.....	2,856	-	2,856
Revenue from Other Agencies.....	18,608	-	18,608
Revenue from Private Sources.....	67,175	-	67,175
Charges for Current Services.....	4	-	4
Other Revenue.....	890	90	980
<b>TOTAL REVENUES.....</b>	<b>139,327</b>	<b>379</b>	<b>139,706</b>
<b>EXPENDITURES</b>			
Current:			
General Government and Support.....	2,791	2	2,793
Public Safety - Police.....	20	69	89
Public Safety - Fire and Life Safety and Homeland Security.....	23	-	23
Parks, Recreation, Culture and Leisure.....	1,244	52	1,296
Transportation.....	13,185	4	13,189
Sanitation and Health.....	521	-	521
Neighborhood Services.....	2,578	-	2,578
Capital Outlay.....	116,597	20,840	137,437
Debt Service:			
Principal Retirement.....	344	-	344
Interest.....	92	-	92
<b>TOTAL EXPENDITURES.....</b>	<b>137,395</b>	<b>20,967</b>	<b>158,362</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>1,932</b>	<b>(20,588)</b>	<b>(18,656)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Proprietary Funds.....	64	-	64
Transfers from Other Funds.....	29,312	75,000	104,312
Transfers to Proprietary Funds.....	(2)	-	(2)
Transfers to Other Funds.....	(14,387)	(498)	(14,885)
Proceeds from the Sale of Capital Assets.....	4,651	-	4,651
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>19,638</b>	<b>74,502</b>	<b>94,140</b>
Extraordinary Loss .....	(105,953)	-	(105,953)
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(84,383)</b>	<b>53,914</b>	<b>(30,469)</b>
Fund Balances at Beginning of Year.....	423,341	23,064	446,405
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 338,958</b>	<b>\$ 76,978</b>	<b>\$ 415,936</b>

CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
COMBINING BALANCE SHEET  
June 30, 2013  
(Dollars in Thousands)

	Capital Outlay	Parks & Recreation Districts	Facilities Benefit Assessments
<b>ASSETS</b>			
Cash and Investments.....	\$ 20,280	\$ 6,422	\$ 162,556
Receivables:			
Accounts.....	2,208	-	-
Notes.....	-	-	-
Accrued Interest.....	14	6	179
Grants.....	15,388	-	-
Advances to Other Funds.....	600	-	-
Restricted Cash and Investments.....	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 38,490</b>	<b>\$ 6,428</b>	<b>\$ 162,735</b>
<b>LIABILITIES</b>			
Accounts Payable.....	\$ 3,600	\$ -	\$ 1,629
Due to Other Agencies.....	28	-	-
Unearned Revenue.....	27,210	-	-
Deferred Revenue.....	16,087	-	-
Advances from Other Funds.....	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b>46,925</b>	<b>-</b>	<b>1,629</b>
<b>FUND BALANCES</b>			
Nonspendable.....	600	-	-
Restricted.....	5,103	-	161,106
Committed.....	-	6,428	-
Unassigned.....	(14,138)	-	-
<b>TOTAL FUND BALANCES (DEFICIT).....</b>	<b>(8,435)</b>	<b>6,428</b>	<b>161,106</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT).....</b>	<b>\$ 38,490</b>	<b>\$ 6,428</b>	<b>\$ 162,735</b>

<u>Impact Fees</u>	<u>Special Assessment/ Special Tax Bonds</u>	<u>TransNet</u>	<u>Other Construction</u>	<u>Redevelopment Cooperation Agreement</u>	<u>Total</u>
\$ 80,171	\$ 535	\$ 17,402	\$ 53,176	\$ -	\$ 340,542
1,004	-	48,896	15,541	-	67,649
-	-	-	31,360	-	31,360
88	-	20	10	-	317
-	-	-	625	-	16,013
-	-	-	5,125	-	5,725
-	341	-	4,089	-	4,430
<u>\$ 81,263</u>	<u>\$ 876</u>	<u>\$ 66,318</u>	<u>\$ 109,926</u>	<u>\$ -</u>	<u>\$ 466,036</u>
\$ 537	\$ -	\$ 565	\$ 9,867	\$ -	\$ 16,198
-	-	-	-	-	28
-	-	-	876	-	28,086
-	-	49,914	16,165	-	82,166
-	-	-	600	-	600
<u>537</u>	<u>-</u>	<u>50,479</u>	<u>27,508</u>	<u>-</u>	<u>127,078</u>
-	-	-	31,458	-	32,058
80,726	876	15,839	42,474	-	306,124
-	-	-	8,486	-	14,914
-	-	-	-	-	(14,138)
<u>80,726</u>	<u>876</u>	<u>15,839</u>	<u>82,418</u>	<u>-</u>	<u>338,958</u>
<u>\$ 81,263</u>	<u>\$ 876</u>	<u>\$ 66,318</u>	<u>\$ 109,926</u>	<u>\$ -</u>	<u>\$ 466,036</u>

**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2013**  
**(Dollars in Thousands)**

	Capital Outlay	Parks & Recreation Districts	Facilities Benefit Assessments
<b>REVENUES</b>			
Sales Taxes.....	\$ -	\$ -	\$ -
Other Local Taxes.....	2	-	-
Licenses and Permits.....	-	-	3,684
Revenue from Use of Money and Property.....	637	21	482
Revenue from Federal Agencies.....	2,856	-	-
Revenue from Other Agencies.....	12,417	-	-
Revenue from Private Sources.....	-	-	36,306
Charges for Current Services.....	-	-	-
Other Revenue.....	661	-	-
<b>TOTAL REVENUES.....</b>	<b>16,573</b>	<b>21</b>	<b>40,472</b>
<b>EXPENDITURES</b>			
Current:			
General Government and Support.....	9	-	1,442
Public Safety - Police.....	-	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	-	-	-
Parks, Recreation, Culture and Leisure.....	158	10	819
Transportation.....	2,918	-	-
Sanitation and Health.....	434	-	-
Neighborhood Services.....	2,550	-	-
Capital Outlay.....	18,811	88	14,339
Debt Service:			
Principal Retirement.....	-	-	-
Interest.....	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>24,880</b>	<b>98</b>	<b>16,600</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(8,307)</b>	<b>(77)</b>	<b>23,872</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Proprietary Funds.....	-	-	-
Transfers from Other Funds.....	-	-	106
Transfers to Proprietary Funds.....	-	-	-
Transfers to Other Funds.....	(2,057)	-	(2,496)
Proceeds from the Sale of Capital Assets.....	4,651	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,594</b>	<b>-</b>	<b>(2,390)</b>
Extraordinary Loss.....	(32,485)	-	-
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(38,198)</b>	<b>(77)</b>	<b>21,482</b>
Fund Balances at Beginning of Year.....	29,763	6,505	139,624
<b>FUND BALANCES (DEFICIT) AT END OF YEAR.....</b>	<b>\$ (8,435)</b>	<b>\$ 6,428</b>	<b>\$ 161,106</b>

Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Other Construction	Redevelopment Cooperation Agreement	Total
\$ -	\$ -	\$ 29,007	\$ -	\$ -	\$ 29,007
-	-	-	-	-	2
11,656	-	2,953	-	-	18,293
295	2	48	563	444	2,492
-	-	-	-	-	2,856
-	-	-	6,191	-	18,608
-	12	-	30,857	-	67,175
4	-	-	-	-	4
29	-	-	200	-	890
<u>11,984</u>	<u>14</u>	<u>32,008</u>	<u>37,811</u>	<u>444</u>	<u>139,327</u>
527	-	280	533	-	2,791
-	-	-	20	-	20
-	-	-	23	-	23
24	-	-	233	-	1,244
-	3,357	114	6,796	-	13,185
-	-	-	87	-	521
-	-	-	7	21	2,578
5,515	-	15,965	61,879	-	116,597
-	-	-	344	-	344
-	-	-	92	-	92
<u>6,066</u>	<u>3,357</u>	<u>16,359</u>	<u>70,014</u>	<u>21</u>	<u>137,395</u>
<u>5,918</u>	<u>(3,343)</u>	<u>15,649</u>	<u>(32,203)</u>	<u>423</u>	<u>1,932</u>
-	-	-	64	-	64
2,515	-	-	19,653	7,038	29,312
-	-	-	(2)	-	(2)
-	-	(9,259)	(575)	-	(14,387)
-	-	-	-	-	4,651
<u>2,515</u>	<u>-</u>	<u>(9,259)</u>	<u>19,140</u>	<u>7,038</u>	<u>19,638</u>
<u>-</u>	<u>-</u>	<u>(3,003)</u>	<u>-</u>	<u>(70,465)</u>	<u>(105,953)</u>
8,433	(3,343)	3,387	(13,063)	(63,004)	(84,383)
<u>72,293</u>	<u>4,219</u>	<u>12,452</u>	<u>95,481</u>	<u>63,004</u>	<u>423,341</u>
<u>\$ 80,726</u>	<u>\$ 876</u>	<u>\$ 15,839</u>	<u>\$ 82,418</u>	<u>\$ -</u>	<u>\$ 338,958</u>

CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 Year Ended June 30, 2013  
 (Dollars 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.....	\$ 29,007	\$ -	\$ 29,007	\$ 27,135	\$ 1,872
Licenses and Permits.....	2,953	-	2,953	-	2,953
Revenue from Use of Money and Property.....	48	23	71	-	71
<b>TOTAL REVENUES.....</b>	<b>32,008</b>	<b>23</b>	<b>32,031</b>	<b>27,135</b>	<b>4,896</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	280	-	280	308	28
Transportation.....	114	5,535	5,649	71,374	65,725
Capital Outlay.....	15,965	-	15,965	-	(15,965)
<b>TOTAL EXPENDITURES.....</b>	<b>16,359</b>	<b>5,535</b>	<b>21,894</b>	<b>71,682</b>	<b>49,788</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>15,649</b>	<b>(5,512)</b>	<b>10,137</b>	<b>(44,547)</b>	<b>54,684</b>
<b>OTHER FINANCING USES</b>					
Transfers to Other Funds.....	(9,259)	-	(9,259)	(9,259)	-
Extraordinary Loss.....	(3,003)	-	(3,003)	-	(3,003)
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>3,387</b>	<b>(5,512)</b>	<b>(2,125)</b>	<b>(53,806)</b>	<b>51,681</b>
Fund Balance - Beginning.....	12,452	-	12,452	12,452	-
<b>FUND BALANCE - ENDING.....</b>	<b>\$ 15,839</b>	<b>\$ (5,512)</b>	<b>\$ 10,327</b>	<b>\$ (41,354)</b>	<b>\$ 51,681</b>

NONMAJOR 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. 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, 2013  
(Dollars in Thousands)**

	Carmel Valley Sewer Maintenance	Cemetery Perpetuity	Effie Sergeant	Figg Estate Endowment
<b>ASSETS</b>				
Receivables:				
Accounts - Net of Allowance for Uncollectibles.....	\$ -	\$ 1	\$ -	\$ -
Accrued Interest.....	-	11	-	-
Restricted Cash and Investments.....	52	10,983	643	323
<b>TOTAL ASSETS.....</b>	<b>\$ 52</b>	<b>\$ 10,995</b>	<b>\$ 643</b>	<b>\$ 323</b>
<b>LIABILITIES</b>				
Deferred Revenue.....	\$ -	\$ 1	\$ -	\$ -
<b>FUND BALANCES</b>				
Nonspendable .....	52	10,994	643	323
Restricted .....	-	-	-	-
<b>TOTAL FUND BALANCES.....</b>	<b>52</b>	<b>10,994</b>	<b>643</b>	<b>323</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 52</b>	<b>\$ 10,995</b>	<b>\$ 643</b>	<b>\$ 323</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2013  
(Dollars in Thousands)**

	Carmel Valley Sewer Maintenance	Cemetery Perpetuity	Effie Sergeant	Figg Estate Endowment
<b>REVENUES</b>				
Revenue from Use of Money and Property.....	\$ 1	\$ 806	\$ 70	\$ 2
Revenue from Private Sources.....	-	-	-	-
Charges for Current Services.....	-	92	-	-
<b>TOTAL REVENUES.....</b>	<b>1</b>	<b>898</b>	<b>70</b>	<b>2</b>
<b>EXPENDITURES</b>				
Current:				
Parks, Recreation, Culture and Leisure.....	-	93	2	-
<b>EXCESS OF REVENUES OVER EXPENDITURES.....</b>	<b>1</b>	<b>805</b>	<b>68</b>	<b>2</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to Other Funds.....	-	(775)	-	(2)
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1</b>	<b>30</b>	<b>68</b>	<b>-</b>
Fund Balances at Beginning of Year.....	51	10,964	575	323
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 52</b>	<b>\$ 10,994</b>	<b>\$ 643</b>	<b>\$ 323</b>

Gladys Edna Peters	Jane Cameron Estate	Los Penasquitos Canyon	Southcrest Park Estates II	Sycamore Estates	Zoological Society- Mission Trails	Environmental Trust Bankruptcy Endowment	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
1	-	-	-	-	-	-	12
416	3,750	2,845	14	250	69	343	19,688
<u>\$ 417</u>	<u>\$ 3,750</u>	<u>\$ 2,845</u>	<u>\$ 14</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 343</u>	<u>\$ 19,701</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
417	3,750	2,845	14	250	69	332	19,689
-	-	-	-	-	-	11	11
417	3,750	2,845	14	250	69	343	19,700
<u>\$ 417</u>	<u>\$ 3,750</u>	<u>\$ 2,845</u>	<u>\$ 14</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 343</u>	<u>\$ 19,701</u>

Gladys Edna Peters	Jane Cameron Estate	Los Penasquitos Canyon	Southcrest Park Estates II	Sycamore Estates	Zoological Society- Mission Trails	Environmental Trust Bankruptcy Endowment	Total
\$ 51	\$ 460	\$ 395	\$ -	\$ 1	\$ -	\$ 1	\$ 1,787
-	135	-	-	-	-	-	135
-	-	-	-	-	-	-	92
51	595	395	-	1	-	1	2,014
6	86	4	-	-	-	-	191
45	509	391	-	1	-	1	1,823
-	-	(135)	-	(1)	-	-	(913)
45	509	256	-	-	-	1	910
372	3,241	2,589	14	250	69	342	18,790
<u>\$ 417</u>	<u>\$ 3,750</u>	<u>\$ 2,845</u>	<u>\$ 14</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 343</u>	<u>\$ 19,700</u>

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NONMAJOR 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 POSITION  
June 30, 2013  
(Dollars in Thousands)**

	<b>Airports</b>	<b>Development Services</b>
<b>ASSETS</b>		
Cash and Investments .....	\$ 14,414	\$ 26,385
Receivables:		
Accounts - Net of Allowance for Uncollectibles .....	614	2,036
Accrued Interest .....	16	31
Grants .....	543	-
Restricted Cash and Investments .....	-	-
Capital Assets - Non-Depreciable .....	2,653	177
Capital Assets - Depreciable .....	15,372	582
<b>TOTAL ASSETS</b> .....	<b>33,612</b>	<b>29,211</b>
<b>LIABILITIES</b>		
Accounts Payable .....	727	890
Accrued Wages and Benefits .....	73	1,599
Long-Term Debt Due Within One Year .....	50	1,001
Unearned Revenue .....	-	16,467
Customer Deposits Payable .....	-	-
Deposits/Advances from Others .....	72	4,444
Compensated Absences .....	56	1,110
Estimated Landfill Closure and Postclosure Care .....	-	-
Net Other Postemployment Benefits Obligation .....	399	7,180
Net Pension Obligation .....	147	4,993
<b>TOTAL LIABILITIES</b> .....	<b>1,524</b>	<b>37,684</b>
<b>NET POSITION (DEFICIT)</b>		
Net Investment in Capital Assets .....	18,025	759
Restricted for Closure/Postclosure Maintenance .....	-	-
Unrestricted (Deficit) .....	14,063	(9,232)
<b>TOTAL NET POSITION (DEFICIT)</b> .....	<b>\$ 32,088</b>	<b>\$ (8,473)</b>

<u>Environmental Services</u>	<u>Golf Course</u>	<u>Recycling</u>	<u>Total</u>
\$ 42,705	\$ 27,194	\$ 18,522	\$ 129,220
91	232	193	3,166
104	33	32	216
-	-	-	543
47,336	-	9,001	56,337
12,387	1,215	-	16,432
<u>25,828</u>	<u>17,833</u>	<u>176</u>	<u>59,791</u>
<u>128,451</u>	<u>46,507</u>	<u>27,924</u>	<u>265,705</u>
2,333	394	687	5,031
662	330	451	3,115
462	160	182	1,855
-	-	373	16,840
-	-	9,001	9,001
100	-	-	4,616
513	177	201	2,057
22,565	-	-	22,565
3,884	2,298	2,405	16,166
<u>1,667</u>	<u>351</u>	<u>989</u>	<u>8,147</u>
<u>32,186</u>	<u>3,710</u>	<u>14,289</u>	<u>89,393</u>
38,215	19,048	176	76,223
24,822	-	-	24,822
<u>33,228</u>	<u>23,749</u>	<u>13,459</u>	<u>75,267</u>
<u>\$ 96,265</u>	<u>\$ 42,797</u>	<u>\$ 13,635</u>	<u>\$ 176,312</u>

**NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2013**  
**(Dollars in Thousands)**

	Airports	Development Services
<b>OPERATING REVENUES</b>		
Charges for Services .....	\$ 2	\$ 47,836
Usage Fees .....	4,860	-
Other .....	44	2,170
<b>TOTAL OPERATING REVENUES</b> .....	<b>4,906</b>	<b>50,006</b>
<b>OPERATING EXPENSES</b>		
Maintenance and Operations .....	2,936	31,003
Administration .....	1,113	14,518
Depreciation.....	658	281
<b>TOTAL OPERATING EXPENSES</b> .....	<b>4,707</b>	<b>45,802</b>
<b>OPERATING INCOME (LOSS)</b> .....	<b>199</b>	<b>4,204</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Earnings on Investments .....	47	69
Federal Grant Assistance .....	11	-
Other Agency Grant Assistance .....	2	-
Loss on Sale/Retirement of Capital Assets .....	(7)	-
Other .....	3	12
<b>TOTAL NONOPERATING REVENUES</b> .....	<b>56</b>	<b>81</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> .....	<b>255</b>	<b>4,285</b>
Capital Contributions .....	3,757	-
Transfers from Other Funds .....	-	1
Transfers from Governmental Funds.....	-	-
Transfers to Other Funds .....	(5)	(78)
Transfers to Governmental Funds .....	(84)	(1,122)
<b>CHANGE IN NET POSITION</b> .....	<b>3,923</b>	<b>3,086</b>
Net Position (Deficit) at Beginning of Year .....	<b>28,165</b>	<b>(11,559)</b>
<b>NET POSITION (DEFICIT) AT END OF YEAR</b> .....	<b>\$ 32,088</b>	<b>\$ (8,473)</b>

<u>Environmental Services</u>	<u>Golf Course</u>	<u>Recycling</u>	<u>Total</u>
\$ 747	\$ 16,922	\$ 5,759	\$ 71,266
23,155	1,444	11,376	40,835
705	1	921	3,841
<u>24,607</u>	<u>18,367</u>	<u>18,056</u>	<u>115,942</u>
23,263	12,757	15,490	85,449
4,891	1,414	2,990	24,926
<u>3,448</u>	<u>1,297</u>	<u>24</u>	<u>5,708</u>
<u>31,602</u>	<u>15,468</u>	<u>18,504</u>	<u>116,083</u>
<u>(6,995)</u>	<u>2,899</u>	<u>(448)</u>	<u>(141)</u>
268	85	82	551
-	-	-	11
-	-	383	385
(186)	(40)	-	(233)
<u>1,035</u>	<u>43</u>	<u>1,597</u>	<u>2,690</u>
<u>1,117</u>	<u>88</u>	<u>2,062</u>	<u>3,404</u>
<u>(5,878)</u>	<u>2,987</u>	<u>1,614</u>	<u>3,263</u>
-	-	-	3,757
25	4	577	607
1	-	-	1
(750)	(24)	(546)	(1,403)
<u>(676)</u>	<u>(272)</u>	<u>(390)</u>	<u>(2,544)</u>
<u>(7,278)</u>	<u>2,695</u>	<u>1,255</u>	<u>3,681</u>
<u>103,543</u>	<u>40,102</u>	<u>12,380</u>	<u>172,631</u>
<u>\$ 96,265</u>	<u>\$ 42,797</u>	<u>\$ 13,635</u>	<u>\$ 176,312</u>

**NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE**  
**COMBINING STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2013  
(Dollars in Thousands)

	Airports	Development Services
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users .....	\$ 4,960	\$ 47,622
Receipts from Interfund Services Provided .....	-	2,237
Payments to Suppliers .....	(1,739)	(8,968)
Payments to Employees .....	(1,464)	(31,051)
Payments for Interfund Services Used .....	(292)	(5,238)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>1,465</b>	<b>4,602</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from Other Funds .....	-	1
Transfers from Governmental Funds .....	-	-
Transfers to Other Funds .....	(5)	(78)
Transfers to Governmental Funds .....	(84)	(1,122)
Operating Grants Received .....	13	-
Proceeds from Advances and Deposits .....	-	-
Payments for Advances and Deposits .....	-	(496)
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>(76)</b>	<b>(1,695)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Capital Contributions .....	3,249	-
Acquisition of Capital Assets .....	(5,021)	(17)
<b>NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(1,772)</b>	<b>(17)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Investments .....	49	67
Net Increase (Decrease) in Cash and Cash Equivalents .....	(334)	2,957
Cash and Cash Equivalents at Beginning of Year .....	14,748	23,428
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b>\$ 14,414</b>	<b>\$ 26,385</b>
<b>Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Position:</b>		
Cash and Investments .....	14,414	26,385
Restricted Cash and Investments .....	-	-
Total Cash and Cash Equivalents at End of Year .....	<b>\$ 14,414</b>	<b>\$ 26,385</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>		
Operating Income (Loss) .....	\$ 199	\$ 4,204
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation .....	658	281
Other Nonoperating Revenue .....	3	12
(Increase) Decrease in Assets:		
Accounts Receivable - Net .....	51	503
Increase (Decrease) in Liabilities:		
Accounts Payable .....	563	269
Accrued Wages and Benefits .....	3	143
Unearned Revenue .....	-	(659)
Contract Deposits .....	-	(3)
Compensated Absences .....	(6)	(6)
Estimated Landfill Closure and Postclosure Care .....	-	-
Net OPEB Obligation .....	(4)	(106)
Net Pension Obligation .....	(2)	(36)
Total Adjustments .....	1,266	398
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>\$ 1,465</b>	<b>\$ 4,602</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>		
Capital Asset Acquisitions related to Accounts Payable .....	\$ 43	-
Noncash Retirement of Capital Assets .....	(7)	-

<u>Environmental Services</u>	<u>Golf Course</u>	<u>Recycling</u>	<u>Total</u>
\$ 24,944	\$ 18,345	\$ 19,081	\$ 114,952
694	-	932	3,863
(12,355)	(7,281)	(9,634)	(39,977)
(13,848)	(6,865)	(8,501)	(61,729)
(210)	(263)	(132)	(6,135)
<u>(775)</u>	<u>3,936</u>	<u>1,746</u>	<u>10,974</u>
25	4	577	607
1	-	-	1
(750)	(24)	(546)	(1,403)
(676)	(272)	(390)	(2,544)
-	-	383	396
-	-	1,706	1,706
(1)	-	-	(497)
<u>(1,401)</u>	<u>(292)</u>	<u>1,730</u>	<u>(1,734)</u>
-	-	-	3,249
(1,340)	(925)	(75)	(7,378)
<u>(1,340)</u>	<u>(925)</u>	<u>(75)</u>	<u>(4,129)</u>
275	83	78	552
(3,241)	2,802	3,479	5,663
<u>93,282</u>	<u>24,392</u>	<u>24,044</u>	<u>179,894</u>
<u>\$ 90,041</u>	<u>\$ 27,194</u>	<u>\$ 27,523</u>	<u>\$ 185,557</u>
42,705	27,194	18,522	129,220
<u>47,336</u>	<u>-</u>	<u>9,001</u>	<u>56,337</u>
<u>\$ 90,041</u>	<u>\$ 27,194</u>	<u>\$ 27,523</u>	<u>\$ 185,557</u>
<u>\$ (6,995)</u>	<u>\$ 2,899</u>	<u>\$ (448)</u>	<u>\$ (141)</u>
3,448	1,297	24	5,708
1,035	43	1,597	2,690
(4)	(65)	371	856
1,037	(233)	200	1,836
(22)	14	15	153
-	-	(11)	(670)
-	-	-	(3)
(36)	10	37	(1)
822	-	-	822
(45)	(22)	(29)	(206)
(15)	(7)	(10)	(70)
<u>6,220</u>	<u>1,037</u>	<u>2,194</u>	<u>11,115</u>
<u>\$ (775)</u>	<u>\$ 3,936</u>	<u>\$ 1,746</u>	<u>\$ 10,974</u>
\$ 45	\$ 102	\$ -	\$ 190
(186)	(40)	-	(233)

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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 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 POSITION  
June 30, 2013  
(Dollars in Thousands)**

	<u>City of San Diego</u>	
	<u>Fleet Services</u>	<u>Central Stores</u>
<b>ASSETS</b>		
Cash and Investments .....	\$ 82,952	\$ 659
Receivables:		
Accounts - Net of Allowance for Uncollectibles .....	1,764	12
Accrued Interest .....	1	-
Grants .....	-	-
Inventories .....	-	2,396
Prepaid Expenses .....	36	-
Capital Assets - Non-Depreciable .....	6,484	-
Capital Assets - Depreciable .....	<u>106,986</u>	<u>154</u>
<b>TOTAL ASSETS</b> .....	<u>198,223</u>	<u>3,221</u>
<b>LIABILITIES</b>		
Accounts Payable .....	2,801	293
Accrued Wages and Benefits .....	985	73
Interest Accrued on Long-Term Debt .....	207	-
Long-Term Debt Due Within One Year .....	7,062	14
Due to Other Agencies .....	-	-
Contract Deposits .....	-	-
Compensated Absences .....	695	21
Liability Claims .....	-	-
Capital Lease Obligations .....	25,577	-
Net Other Postemployment Benefits Obligation .....	5,974	523
Net Pension Obligation.....	<u>926</u>	<u>159</u>
<b>TOTAL LIABILITIES</b> .....	<u>44,227</u>	<u>1,083</u>
<b>NET POSITION (DEFICIT)</b>		
Net Investment in Capital Assets .....	81,312	154
Unrestricted .....	<u>72,684</u>	<u>1,984</u>
<b>TOTAL NET POSITION (DEFICIT)</b> .....	<u>\$ 153,996</u>	<u>\$ 2,138</u>

<u>Publishing Services</u>	<u>Self Insurance</u>	<u>Miscellaneous Internal Service</u>	<u>San Diego Data Processing Corporation</u>	<u>Total</u>
\$ 647	\$ 108,871	\$ 12,559	\$ 10,671	\$ 216,359
-	243	9	1,220	3,248
-	-	5	-	6
-	-	1,080	-	1,080
-	-	-	-	2,396
-	-	-	180	216
-	-	-	1,984	8,468
<u>30</u>	<u>-</u>	<u>2,724</u>	<u>2,046</u>	<u>111,940</u>
<u>677</u>	<u>109,114</u>	<u>16,377</u>	<u>16,101</u>	<u>343,713</u>
293	337	816	310	4,850
33	8	418	488	2,005
-	-	-	-	207
21	38,343	2,090	287	47,817
-	-	49	-	49
-	-	130	-	130
31	-	3,014	-	3,761
-	215,774	-	-	215,774
-	-	-	-	25,577
424	-	2,196	-	9,117
<u>243</u>	<u>-</u>	<u>887</u>	<u>-</u>	<u>2,215</u>
<u>1,045</u>	<u>254,462</u>	<u>9,600</u>	<u>1,085</u>	<u>311,502</u>
30	-	2,724	4,030	88,250
<u>(398)</u>	<u>(145,348)</u>	<u>4,053</u>	<u>10,986</u>	<u>(56,039)</u>
<u>\$ (368)</u>	<u>\$ (145,348)</u>	<u>\$ 6,777</u>	<u>\$ 15,016</u>	<u>\$ 32,211</u>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
Year Ended June 30, 2013  
(Dollars in Thousands)

	<u>City of San Diego</u>	
	<u>Fleet Services</u>	<u>Central Stores</u>
<b>OPERATING REVENUES</b>		
Charges for Services .....	\$ 1,345	\$ 11,985
Usage Fees .....	68,891	-
Other .....	450	92
<b>TOTAL OPERATING REVENUES</b> .....	<u>70,686</u>	<u>12,077</u>
<b>OPERATING EXPENSES</b>		
Benefit and Claim Payments .....	-	-
Maintenance and Operations .....	48,300	2,286
Cost of Materials Issued .....	-	7,145
Administration .....	1,574	-
Depreciation .....	21,803	18
<b>TOTAL OPERATING EXPENSES</b> .....	<u>71,677</u>	<u>9,449</u>
<b>OPERATING INCOME (LOSS)</b> .....	<u>(991)</u>	<u>2,628</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Earnings on Investments .....	387	(11)
Federal Grant Assistance .....	-	-
Other Agency Grant Assistance .....	-	-
Loss on Sale/Retirement of Capital Assets .....	(911)	-
Debt Service Interest Expense .....	(635)	-
Other .....	165	55
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b> .....	<u>(994)</u>	<u>44</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> .....	(1,985)	2,672
Capital Contributions .....	214	-
Transfers from Other Funds .....	965	-
Transfers from Governmental Funds .....	2,947	11
Transfers to Other Funds .....	(259)	(8)
Transfers to Governmental Funds .....	(943)	(106)
<b>CHANGE IN NET POSITION</b> .....	939	2,569
Net Position (Deficit) at Beginning of Year .....	<u>153,057</u>	<u>(431)</u>
<b>NET POSITION (DEFICIT) AT END OF YEAR</b> .....	<u>\$ 153,996</u>	<u>\$ 2,138</u>

<u>Publishing Services</u>	<u>Self Insurance</u>	<u>Miscellaneous Internal Service</u>	<u>San Diego Data Processing Corporation</u>	<u>Total</u>
\$ 3,081	\$ 51,758	\$ 23,534	\$ 15,046	\$ 106,749
-	-	-	-	68,891
-	250	216	-	1,008
<u>3,081</u>	<u>52,008</u>	<u>23,750</u>	<u>15,046</u>	<u>176,648</u>
-	90,539	11,179	-	101,718
2,409	-	716	-	53,711
-	-	-	-	7,145
440	-	12,519	12,756	27,289
4	-	189	2,266	24,280
<u>2,853</u>	<u>90,539</u>	<u>24,603</u>	<u>15,022</u>	<u>214,143</u>
<u>228</u>	<u>(38,531)</u>	<u>(853)</u>	<u>24</u>	<u>(37,495)</u>
1	576	33	21	1,007
-	-	3,150	-	3,150
-	-	632	-	632
-	-	(162)	(64)	(1,137)
-	-	-	-	(635)
44	-	34	256	554
<u>45</u>	<u>576</u>	<u>3,687</u>	<u>213</u>	<u>3,571</u>
273	(37,955)	2,834	237	(33,924)
-	-	3,043	-	3,257
-	767	1,130	-	2,862
-	10,094	625	-	13,677
(2)	(3)	(12)	-	(284)
<u>(88)</u>	<u>(576)</u>	<u>(2,607)</u>	<u>-</u>	<u>(4,320)</u>
183	(27,673)	5,013	237	(18,732)
<u>(551)</u>	<u>(117,675)</u>	<u>1,764</u>	<u>14,779</u>	<u>50,943</u>
<u>\$ (368)</u>	<u>\$ (145,348)</u>	<u>\$ 6,777</u>	<u>\$ 15,016</u>	<u>\$ 32,211</u>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2013  
(Dollars in Thousands)

City of San Diego		
	Fleet Services	Central Stores
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users .....	\$ -	\$ -
Receipts from Interfund Services Provided .....	69,432	12,120
Payments to Suppliers .....	(29,154)	(11,257)
Payments to Employees .....	(19,682)	(34)
Payments for Interfund Services Used .....	(1,379)	(186)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>19,217</b>	<b>643</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from Other Funds .....	965	-
Transfers from Governmental Funds .....	2,947	11
Transfers to Other Funds .....	(259)	(8)
Transfers to Governmental Funds .....	(943)	(106)
Operating Grants Received .....	-	-
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>2,710</b>	<b>(103)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Capital Contributions .....	-	-
Acquisition of Capital Assets .....	(9,705)	(12)
Proceeds from the Sale of Capital Assets .....	1,635	-
Principal Payments on Capital Leases .....	(6,858)	-
Interest Paid on Long-Term Debt .....	(573)	-
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(15,501)</b>	<b>(12)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Investments .....	387	(11)
<b>Net Increase in Cash and Cash Equivalents .....</b>	<b>6,813</b>	<b>517</b>
Cash and Cash Equivalents at Beginning of Year .....	76,139	142
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b>\$ 82,952</b>	<b>\$ 659</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>		
Operating Income (Loss) .....	\$ (991)	\$ 2,628
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation .....	21,803	18
Other Nonoperating Revenue .....	165	55
(Increase) Decrease in Assets:		
Accounts Receivable - Net .....	(1,419)	(12)
Inventories .....	-	57
Prepaid Expenses .....	(36)	-
Increase (Decrease) in Liabilities:		
Accounts Payable .....	44	(469)
Accrued Wages and Benefits .....	(100)	(5)
Due to Other Funds .....	-	(1,600)
Due to Other Agencies .....	-	-
Unearned Revenue .....	-	-
Compensated Absences .....	(166)	(23)
Liability Claims .....	-	-
Net OPEB Obligation .....	(62)	(4)
Net Pension Obligation .....	(21)	(2)
<b>Total Adjustments .....</b>	<b>20,208</b>	<b>(1,985)</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>\$ 19,217</b>	<b>\$ 643</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>		
Capital Leases .....	\$ 10,698	\$ -
Developer Contributed Assets .....	125	-
Noncash Retirement of Capital Assets .....	(2,269)	-
Transfers of Capital Assets .....	(188)	-



<u>Publishing Services</u>	<u>Self Insurance</u>	<u>Miscellaneous Internal Service</u>	<u>San Diego Data Processing Corporation</u>	<u>Total</u>
\$ -	\$ 52,193	\$ 21,885	\$ 18,102	\$ 92,180
3,144	-	1,305	-	86,001
(2,730)	(44,655)	(4,943)	(5,492)	(98,231)
(19)	(2,022)	(18,660)	(9,139)	(49,556)
(48)	-	(234)	-	(1,847)
<u>347</u>	<u>5,516</u>	<u>(647)</u>	<u>3,471</u>	<u>28,547</u>
-	767	1,130	-	2,862
-	10,094	625	-	13,677
(2)	(3)	(12)	-	(284)
(88)	(576)	(2,607)	-	(4,320)
-	-	2,702	-	2,702
<u>(90)</u>	<u>10,282</u>	<u>1,838</u>	<u>-</u>	<u>14,637</u>
-	-	335	-	335
-	-	(320)	(31)	(10,068)
-	-	-	47	1,682
-	-	-	-	(6,858)
-	-	-	-	(573)
<u>-</u>	<u>-</u>	<u>15</u>	<u>16</u>	<u>(15,482)</u>
<u>1</u>	<u>576</u>	<u>31</u>	<u>21</u>	<u>1,005</u>
258	16,374	1,237	3,508	28,707
389	92,497	11,322	7,163	187,652
<u>\$ 647</u>	<u>\$ 108,871</u>	<u>\$ 12,559</u>	<u>\$ 10,671</u>	<u>\$ 216,359</u>
<u>\$ 228</u>	<u>\$ (38,531)</u>	<u>\$ (853)</u>	<u>\$ 24</u>	<u>\$ (37,495)</u>
4	-	189	2,266	24,280
44	-	34	256	554
19	185	(74)	2,801	1,500
-	-	-	-	57
-	-	-	646	610
71	(121)	473	(1,766)	(1,768)
(5)	-	(20)	(82)	(212)
-	-	-	-	(1,600)
-	-	49	-	49
-	-	(518)	-	(518)
(10)	-	109	(674)	(764)
-	43,983	-	-	43,983
(3)	-	(12)	-	(81)
(1)	-	(24)	-	(48)
<u>119</u>	<u>44,047</u>	<u>206</u>	<u>3,447</u>	<u>66,042</u>
<u>\$ 347</u>	<u>\$ 5,516</u>	<u>\$ (647)</u>	<u>\$ 3,471</u>	<u>\$ 28,547</u>
\$ -	\$ -	\$ -	\$ -	\$ 10,698
-	-	-	-	125
-	-	(162)	-	(2,431)
-	-	2,709	-	2,521

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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 TRUST FUNDS

##### PRESERVATION OF BENEFITS PLAN

The Preservation of Benefits Plan is a qualified governmental excess benefit plan under IRC section 415(m), which was created by Congress to allow for the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore can't be paid from the City's Pension and Employee Savings Trust Fund). This fund is maintained by the Retirement Board of Administration to reflect all amounts the City contributes for payment of pension benefits that exceed IRC section 415(b) limits.

##### POSTEMPLOYMENT HEALTHCARE BENEFIT PLAN

Retiree Health Insurance Trust fund is a separate trust fund used solely for providing retiree health benefits. It is maintained by the Retirement Board of Administration to reflect all amounts the City and retirees contribute to pay retiree health benefits.

##### SUPPLEMENTAL PENSION SAVINGS PLAN

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 TRUST FUNDS

##### 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 TRUST FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2013  
(Dollars in Thousands)**

	<u>City Employees' Retirement System</u>		
	<u>City of San Diego</u>	<u>Unified Port District</u>	<u>Airport Authority</u>
<b>ASSETS</b>			
Cash and Investments .....	\$ 1,292	\$ 288	\$ 205
Cash with Custodian/Fiscal Agent .....	211,182	15,201	8,922
Investments at Fair Value:			
Domestic Fixed Income Securities (Bonds) .....	1,443,021	81,419	27,765
International Fixed Income Securities (Bonds) .....	155,011	8,740	2,963
Domestic Equity Securities (Stocks) .....	1,710,200	96,655	32,706
International Equity Securities (Stocks) .....	978,782	55,249	18,686
Global Equity .....	280,104	15,887	5,131
Real Estate Equity and Real Estate Securities .....	532,416	30,060	10,206
Equity Mutual Funds .....	-	-	-
Fixed Income Mutual Funds .....	-	-	-
Private Equity .....	239,992	13,607	4,577
Infrastructure .....	34,502	1,960	638
Receivables:			
Contributions .....	6,944	1,103	227
Accrued Interest .....	7,746	433	148
Loans .....	-	-	-
Securities Sold .....	183,581	10,430	3,582
Prepaid Expenses .....	379	23	8
Securities Lending Collateral .....	177,445	9,967	3,439
Capital Assets - Depreciable .....	4,281	251	88
<b>TOTAL ASSETS</b> .....	<u>5,966,878</u>	<u>341,273</u>	<u>119,291</u>
<b>LIABILITIES</b>			
Accounts Payable .....	4,812	313	104
Accrued Wages and Benefits .....	766	42	15
Supplemental Benefits Payable .....	16,199	240	23
DROP Liability .....	477,478	11,436	2,017
Net Other Postemployment Benefit Obligation .....	1,484	-	-
Net Pension Obligation .....	620	-	-
Securities Lending Obligations .....	177,922	9,993	3,448
Securities Purchased .....	369,917	20,986	7,245
<b>TOTAL LIABILITIES</b> .....	<u>1,049,198</u>	<u>43,010</u>	<u>12,852</u>
<b>NET POSITION</b>			
Held in Trust for Pension Benefits .....	<u>\$ 4,917,680</u>	<u>\$ 298,263</u>	<u>\$ 106,439</u>

Preservation of Benefits Plan	Postemployment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(a) Plan	401(k) Plan	Total
\$ -	\$ 720	\$ 539	\$ 1	\$ 1	\$ 3,046
5	-	-	-	-	235,310
-	-	-	-	-	1,552,205
-	-	-	-	-	166,714
-	-	-	-	-	1,839,561
-	-	-	-	-	1,052,717
-	-	-	-	-	301,122
-	-	-	-	-	572,682
-	-	276,692	1,333	162,093	440,118
-	-	285,392	70	119,520	404,982
-	-	-	-	-	258,176
-	-	-	-	-	37,100
-	-	-	-	-	8,274
-	-	-	-	-	8,327
-	-	24,105	-	11,910	36,015
-	-	-	-	-	197,593
-	-	-	-	-	410
-	-	-	-	-	190,851
-	-	-	-	-	4,620
<u>5</u>	<u>720</u>	<u>586,728</u>	<u>1,404</u>	<u>293,524</u>	<u>7,309,823</u>
-	720	-	-	-	5,949
-	-	-	-	-	823
-	-	-	-	-	16,462
-	-	-	-	-	490,931
-	-	-	-	-	1,484
-	-	-	-	-	620
-	-	-	-	-	191,363
-	-	-	-	-	398,148
-	<u>720</u>	-	-	-	<u>1,105,780</u>
<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 586,728</u>	<u>\$ 1,404</u>	<u>\$ 293,524</u>	<u>\$ 6,204,043</u>

**FIDUCIARY FUNDS  
PENSION TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
Year Ended June 30, 2013  
(Dollars in Thousands)**

	<u>City Employees' Retirement System</u>		
	<u>City of San Diego</u>	<u>Unified Port District</u>	<u>Airport Authority</u>
<b>ADDITIONS</b>			
Employer Contributions .....	\$ 231,143	\$ 13,200	\$ 2,600
Employee Contributions .....	65,227	5,494	3,556
Retiree Contributions .....	-	-	-
Earnings on Investments:			
Investment Income .....	687,516	39,238	12,798
Investment Expense .....	<u>(24,090)</u>	<u>(1,374)</u>	<u>(451)</u>
Net Investment Income .....	<u>663,426</u>	<u>37,864</u>	<u>12,347</u>
Securities Lending:			
Gross Earnings .....	1,778	101	33
Borrower Rebates .....	<u>(587)</u>	<u>(34)</u>	<u>(11)</u>
Net Securities Lending Income .....	<u>1,191</u>	<u>67</u>	<u>22</u>
Other Income .....	<u>819</u>	<u>45</u>	<u>20</u>
<b>TOTAL ADDITIONS</b> .....	<u>961,806</u>	<u>56,670</u>	<u>18,545</u>
<b>DEDUCTIONS</b>			
DROP Interest Expense .....	25,447	542	55
Benefit and Claim Payments .....	366,036	18,032	2,056
Administration .....	<u>12,003</u>	<u>698</u>	<u>278</u>
<b>TOTAL DEDUCTIONS</b> .....	<u>403,486</u>	<u>19,272</u>	<u>2,389</u>
<b>CHANGE IN NET POSITION</b> .....	558,320	37,398	16,156
Net Position at Beginning of Year.....	<u>4,359,360</u>	<u>260,865</u>	<u>90,283</u>
<b>NET POSITION AT END OF YEAR</b> .....	<u>\$ 4,917,680</u>	<u>\$ 298,263</u>	<u>\$ 106,439</u>



Preservation of Benefits Plan	Postemployment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(a) Plan	401(k) Plan	Total
\$ 1,578	\$ 38,093	\$ 19,687	\$ 317	\$ -	\$ 306,618
-	-	19,715	368	14,914	109,274
-	7,010	-	-	-	7,010
(1)	10	52,789	100	26,351	818,801
-	-	-	-	-	(25,915)
<u>(1)</u>	<u>10</u>	<u>52,789</u>	<u>100</u>	<u>26,351</u>	<u>792,886</u>
-	-	-	-	-	1,912
-	-	-	-	-	(632)
-	-	-	-	-	1,280
-	-	722	-	353	1,959
<u>1,577</u>	<u>45,113</u>	<u>92,913</u>	<u>785</u>	<u>41,618</u>	<u>1,219,027</u>
-	-	-	-	-	26,044
1,572	44,474	45,411	94	15,877	493,552
4	639	-	-	-	13,622
<u>1,576</u>	<u>45,113</u>	<u>45,411</u>	<u>94</u>	<u>15,877</u>	<u>533,218</u>
1	-	47,502	691	25,741	685,809
4	-	539,226	713	267,783	5,518,234
<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 586,728</u>	<u>\$ 1,404</u>	<u>\$ 293,524</u>	<u>\$ 6,204,043</u>

**FIDUCIARY FUNDS  
AGENCY FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2013  
(Dollars in Thousands)**

	<b>Employee Benefits</b>	<b>Other Miscellaneous Agency</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Investments .....	\$ 4,771	\$ 7,862	\$ 12,633
Receivables:			
Accounts - Net .....	140	264	404
Special Assessments .....	-	413	413
Accrued Interest .....	-	5	5
Restricted Cash and Investments .....	-	37,658	37,658
<b>TOTAL ASSETS</b> .....	<u>4,911</u>	<u>46,202</u>	<u>51,113</u>
<b>LIABILITIES</b>			
Accounts Payable .....	\$ -	\$ 2,979	\$ 2,979
Deposits/Advances from Others .....	-	154	154
Sundry Agency Liabilities .....	4,911	14,367	19,278
Due to Bondholders .....	-	28,702	28,702
<b>TOTAL LIABILITIES</b> .....	<u>4,911</u>	<u>46,202</u>	<u>51,113</u>
<b>NET POSITION</b> .....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**FIDUCIARY FUNDS**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Year Ended June 30, 2013**  
**(Dollars in Thousands)**

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Employee Benefits</b>				
<b>ASSETS</b>				
Cash and Investments .....	\$ 3,339	\$ 149,199	\$ 147,767	\$ 4,771
Receivables:				
Accounts - Net .....	126	2,563	2,549	140
<b>TOTAL ASSETS .....</b>	<b>\$ 3,465</b>	<b>\$ 151,762</b>	<b>\$ 150,316</b>	<b>\$ 4,911</b>
<b>LIABILITIES</b>				
Sundry Agency Liabilities .....	\$ 3,465	\$ 146,650	\$ 145,204	\$ 4,911
<b>TOTAL LIABILITIES .....</b>	<b>\$ 3,465</b>	<b>\$ 146,650</b>	<b>\$ 145,204</b>	<b>\$ 4,911</b>
<b>Other Miscellaneous Agency</b>				
<b>ASSETS</b>				
Cash and Investments .....	\$ 6,658	\$ 134,919	\$ 133,715	\$ 7,862
Receivables:				
Accounts - Net .....	1,073	37,065	37,874	264
Special Assessments .....	562	413	562	413
Accrued Interest .....	11	5	11	5
Restricted Cash and Investments .....	36,438	44,476	43,256	37,658
<b>TOTAL ASSETS .....</b>	<b>\$ 44,742</b>	<b>\$ 216,878</b>	<b>\$ 215,418</b>	<b>\$ 46,202</b>
<b>LIABILITIES</b>				
Accounts Payable .....	\$ 903	\$ 12,895	\$ 10,819	\$ 2,979
Deposits/Advances from Others .....	129	25	-	154
Sundry Agency Liabilities .....	15,818	147,822	149,273	14,367
Due to Bondholders .....	27,892	37,036	36,226	28,702
<b>TOTAL LIABILITIES .....</b>	<b>\$ 44,742</b>	<b>\$ 197,778</b>	<b>\$ 196,318</b>	<b>\$ 46,202</b>
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Investments .....	\$ 9,997	\$ 284,118	\$ 281,482	\$ 12,633
Receivables:				
Accounts - Net .....	1,199	39,628	40,423	404
Special Assessments .....	562	413	562	413
Accrued Interest .....	11	5	11	5
Restricted Cash and Investments .....	36,438	44,476	43,256	37,658
<b>TOTAL ASSETS .....</b>	<b>\$ 48,207</b>	<b>\$ 368,640</b>	<b>\$ 365,734</b>	<b>\$ 51,113</b>
<b>LIABILITIES</b>				
Accounts Payable .....	\$ 903	\$ 12,895	\$ 10,819	\$ 2,979
Deposits/Advances from Others .....	129	25	-	154
Sundry Agency Liabilities .....	19,283	294,472	294,477	19,278
Due to Bondholders .....	27,892	37,036	36,226	28,702
<b>TOTAL LIABILITIES .....</b>	<b>\$ 48,207</b>	<b>\$ 344,428</b>	<b>\$ 341,522</b>	<b>\$ 51,113</b>

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STATISTICAL SECTION [UNAUDITED]



## STATISTICAL SECTION

The Statistical Section presents information as required by GASB Statement No. 44. In addition to utilizing the basic financial statements, notes to the 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 Position by Category (Unaudited)**  
**Last Ten Fiscal Years (Dollars in Thousands)**  
 (Accrual Basis of Accounting)

	Fiscal Year			
	2004	2005	2006	2007
<b><u>Governmental Activities</u></b>				
Net Investment in Capital Assets	\$ 3,200,262	\$ 3,600,989	\$ 3,472,531	\$ 3,461,127
Restricted for:				
Capital Projects	274,664	90,390	273,575	300,288
Debt Service	74,268	37,522	-	-
Low-Moderate Income Housing	-	-	64,493	81,739
Permanent Endowments	13,104	13,908	14,568	16,509
Grants	-	-	-	-
Other	129,686	104,488	96,537	100,159
Unrestricted	<u>(146,793)</u>	<u>(215,719)</u>	<u>(140,126)</u>	<u>(19,999)</u>
Total Governmental Activities Net Position	<u>3,545,191</u>	<u>3,631,578</u>	<u>3,781,578</u>	<u>3,939,823</u>
<b><u>Business-type Activities</u></b>				
Net Investment in Capital Assets	2,818,690	2,863,136	2,867,469	2,998,848
Restricted for:				
Debt Service	3,674	3,517	2,970	2,977
Other	26,735	29,412	32,115	34,732
Unrestricted	<u>317,358</u>	<u>271,943</u>	<u>308,575</u>	<u>343,280</u>
Total Business-type Activities Net Position	<u>3,166,457</u>	<u>3,168,008</u>	<u>3,211,129</u>	<u>3,379,837</u>
<b><u>Primary Government</u></b>				
Net Investment in Capital Assets	6,018,952	6,464,125	6,340,000	6,459,975
Restricted for:				
Capital Projects	274,664	90,390	273,575	300,288
Debt Service	77,942	41,039	2,970	2,977
Low-Moderate Income Housing	-	-	64,493	81,739
Nonexpendable Permanent Endowments	13,104	13,908	14,568	16,509
Grants	-	-	-	-
Other	156,421	133,900	128,652	134,891
Unrestricted	<u>170,565</u>	<u>56,224</u>	<u>168,449</u>	<u>323,281</u>
Total Primary Government Net Position	<u>\$ 6,711,648</u>	<u>\$ 6,799,586</u>	<u>\$ 6,992,707</u>	<u>\$ 7,319,660</u>



Table 1

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	3,518,704	\$	3,530,937	\$	3,780,474	\$	3,812,560	\$	3,835,923	\$	3,963,306
	314,931		293,284		260,754		654,126		521,015		456,874
	-		-		-		-		-		-
	108,026		135,581		162,514		84,260		50,988		251,655
	16,757		13,280		17,514		15,670		18,780		19,689
	-		-		-		-		232,249		75,462
	124,328		122,460		131,600		195,171		157,462		202,705
	70,635		162,661		2,189		(392,384)		(278,413)		(341,390)
	<u>4,153,381</u>		<u>4,258,203</u>		<u>4,355,045</u>		<u>4,369,403</u>		<u>4,538,004</u>		<u>4,628,301</u>
	2,933,012		2,970,351		3,035,924		3,094,788		3,131,831		3,378,535
	2,660		4,372		8,443		11,129		13,346		7,893
	36,776		38,113		43,747		45,217		24,462		24,822
	517,261		587,443		643,275		685,666		826,386		701,760
	<u>3,489,709</u>		<u>3,600,279</u>		<u>3,731,389</u>		<u>3,836,800</u>		<u>3,996,025</u>		<u>4,113,010</u>
	6,451,716		6,501,288		6,816,398		6,907,348		6,967,754		7,341,841
	314,931		293,284		260,754		654,126		521,015		456,874
	2,660		4,372		8,443		11,129		13,346		7,893
	108,026		135,581		162,514		84,260		50,988		251,655
	16,757		13,280		17,514		15,670		18,780		19,689
	-		-		-		-		232,249		75,462
	161,104		160,573		175,347		240,388		181,924		227,527
	587,896		750,104		645,464		293,282		547,973		360,370
\$	<u>7,643,090</u>	\$	<u>7,858,482</u>	\$	<u>8,086,434</u>	\$	<u>8,206,203</u>	\$	<u>8,534,029</u>	\$	<u>8,741,311</u>

Table 2

**City of San Diego**  
**Changes in Net Position (Unaudited)**  
**Last Ten Fiscal Years (Dollars in Thousands)**  
 (Accrual Basis of Accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
<b>Governmental Activities</b>										
General Government and Support	\$ 221,752	\$ 247,038	\$ 252,295	\$ 270,190	\$ 322,157	\$ 303,581	\$ 395,344	\$ 361,098	\$ 294,198	\$ 313,800
Public Safety - Police	361,501	372,230	370,990	376,581	382,907	418,549	402,222	427,724	409,374	429,849
Public Safety - Fire and Life Safety and Homeland Security	173,311	186,203	194,074	209,902	204,822	220,787	214,975	223,174	233,635	241,029
Parks, Recreation, Culture and Leisure	204,736	218,601	237,375	229,500	231,955	258,038	266,343	248,668	270,199	270,540
Transportation	197,152	220,095	200,883	272,780	212,255	239,305	190,054	191,402	224,187	202,376
Sanitation and Health	44,925	45,088	48,774	43,780	51,772	77,447	78,171	74,639	73,299	67,623
Neighborhood Services	100,568	89,162	111,886	98,870	91,110	116,735	137,971	85,588	219,499	89,354
Debt Service:										
Interest	71,588	73,381	71,109	84,920	82,211	84,070	72,672	77,443	58,838	37,942
<b>Total Governmental Activities Expenses</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>1,689,737</b>	<b>1,783,229</b>	<b>1,652,513</b>
<b>Business-type Activities</b>										
Airports	7,384	3,196	4,100	3,755	4,109	5,140	5,671	4,297	3,614	4,759
City Store	858	808	810	843	788	321	-	-	-	-
Development Services	52,970	60,240	57,893	53,924	51,461	47,260	36,640	43,552	43,842	46,024
Environmental Services	40,602	43,711	44,493	40,138	37,279	35,718	33,955	34,904	36,357	32,205
Golf Course	7,572	8,585	9,563	10,690	11,142	11,864	14,618	15,503	15,217	15,689
Recycling	19,497	21,426	21,853	19,754	20,511	20,067	19,265	19,611	18,105	18,895
Sewer Utility	312,929	348,327	319,274	313,716	322,552	314,125	338,688	315,591	311,367	322,431
Water Utility	270,940	300,665	302,996	313,256	321,123	329,748	365,683	362,830	382,314	420,809
<b>Total Business-type Activities Expenses</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>810,816</b>	<b>860,812</b>
<b>Total Primary Government Expenses</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>2,486,025</b>	<b>2,594,045</b>	<b>2,513,325</b>
<b>Program Revenues</b>										
<b>Governmental Activities</b>										
Charges for Services:										
General Government and Support	81,167	100,887	96,345	107,257	111,714	152,630	179,461	185,696	193,766	191,256
Public Safety - Police	23,699	23,496	24,256	27,960	40,628	42,178	39,636	44,879	38,367	44,723
Public Safety - Fire and Life Safety and Homeland Security	19,940	21,381	18,572	16,548	19,156	20,449	19,916	30,655	31,724	22,539
Parks, Recreation, Culture and Leisure	12,466	35,314	51,196	52,656	64,030	80,795	61,495	65,033	80,673	72,297
Transportation	47,709	30,625	52,375	49,809	21,877	18,360	31,485	27,304	56,742	28,759
Sanitation and Health	9,087	8,651	10,697	10,224	9,832	9,306	11,788	11,784	14,452	13,790
Neighborhood Services	20,033	48,623	25,440	39,412	22,748	21,814	25,959	27,013	22,699	35,792
Operating Grants and Contributions	95,202	109,268	101,723	84,745	75,126	93,244	71,829	81,159	62,181	82,760
Capital Grants and Contributions	91,981	134,702	100,564	81,169	78,347	110,802	60,139	51,674	46,770	152,193
<b>Total Governmental Activities Program Revenues</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>547,374</b>	<b>644,109</b>
<b>Business-type Activities</b>										
Charges for Services:										
Airports	3,827	4,151	4,385	5,635	5,140	4,929	4,849	4,749	4,188	4,906
City Store	852	807	837	827	744	242	-	-	-	-
Development Services	58,412	61,299	55,011	48,746	45,945	37,310	37,338	45,743	44,557	50,006
Environmental Services	38,377	41,944	39,850	36,143	35,485	31,726	26,342	28,246	25,123	24,607
Golf Course	11,911	12,625	13,119	15,772	15,153	16,201	15,671	15,715	17,428	18,367
Recycling	16,169	19,883	21,345	20,476	23,390	16,027	16,946	18,592	17,323	18,056
Sewer Utility	267,294	288,972	290,568	304,749	328,119	322,571	382,125	357,731	370,299	361,637
Water Utility	239,533	267,649	280,567	310,292	318,626	342,719	376,461	371,515	408,119	414,508
Operating Grants and Contributions	1,483	2,028	1,909	1,203	2,312	1,739	3,289	8,355	2,939	1,761
Capital Grants and Contributions	133,586	63,830	77,602	141,419	58,400	60,863	45,738	30,692	75,194	91,878
<b>Total Business-type Activities Program Revenues</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>965,170</b>	<b>965,726</b>
<b>Total Primary Government Program Revenues</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>1,512,544</b>	<b>1,629,835</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	(974,249)	(938,851)	(1,006,218)	(1,117,743)	(1,135,731)	(1,168,934)	(1,256,044)	(1,164,540)	(1,235,855)	(1,008,404)
Business-type Activities	58,692	(23,770)	24,211	129,186	64,349	70,084	94,239	85,050	154,354	124,914
<b>Total Primary Government Net Expense</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>(1,079,490)</b>	<b>(1,081,501)</b>	<b>(883,490)</b>

Table 2

City of San Diego  
**Changes in Net Position (Unaudited)**  
**Last Ten Fiscal Years (Dollars in Thousands)**  
 (Accrual Basis of Accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Revenues and</b>										
<b>Other Changes in Net Position</b>										
Governmental Activities										
Property Taxes	\$ 278,804	\$ 329,659	\$ 459,777	\$ 526,722	\$ 576,605	\$ 607,857	\$ 579,410	\$ 560,577	\$ 508,938	\$ 421,894
Transient Occupancy Taxes	113,209	120,792	136,803	154,810	159,348	140,657	123,332	140,752	148,184	158,105
Sales Taxes - Shared State Revenue	238,616	197,198	227,017	263,399	269,757	229,651	244,406	246,452	253,624	269,504
Other Local Taxes	139,748	152,577	148,001	157,941	151,267	161,485	183,694	158,797	173,954	166,548
Developer Contributions and Fees	33,363	47,063	53,502	62,693	38,331	16,148	21,022	14,131	55,635	66,312
Grants and Contributions not Restricted to Specific Programs	101,086	141,934	64,039	5,339	6,251	8,488	18,065	10,320	115	705
Investment Income	57,537	29,473	40,108	76,292	96,725	75,245	30,472	25,488	15,708	9,220
Gain on Sale of Capital Assets	467	684	1,214	6,546	17,884	1,922	1,854	133	-	-
Special Items	250	-	-	-	-	-	-	-	-	-
Miscellaneous	4,396	5,232	21,227	25,671	29,570	33,528	20,458	16,207	36,086	14,471
Transfers	3,806	626	4,530	(3,425)	3,551	(1,225)	(1,218)	6,040	16,739	20,012
Total Governmental Activities General Revenues, Permanent Fund Contributions, and Transfers	971,282	1,025,238	1,156,218	1,275,988	1,349,289	1,273,756	1,221,495	1,178,897	1,208,983	1,126,771
Business-type Activities										
Investment Income	10,289	17,132	16,938	30,713	41,224	31,004	22,332	13,717	11,519	2,429
Gain on Sale of Capital Assets	8	-	-	-	-	-	-	-	-	-
Miscellaneous	5,443	8,815	6,502	5,384	7,850	8,257	13,321	12,684	8,225	11,520
Transfers	(3,806)	(626)	(4,530)	3,425	(3,551)	1,225	1,218	(6,040)	(16,739)	(20,012)
Total Business-type Activities General Revenues and Transfers	11,934	25,321	18,910	39,522	45,523	40,486	36,871	20,361	3,005	(6,063)
Total Primary Government General Revenues, Permanent Fund Contributions, and Transfers	983,216	1,050,559	1,175,128	1,315,510	1,394,812	1,314,242	1,258,366	1,199,258	1,211,988	1,120,708
Extraordinary Gain (Loss)										
Governmental Activities	-	-	-	-	-	-	-	-	195,473	(28,070)
Business-type Activities	-	-	-	-	-	-	-	-	1,866	(1,866)
<b>Change in Net Position</b>										
Governmental Activities	(2,967)	86,387	150,001	158,245	213,558	104,822	(34,549)	14,357	168,601	90,297
Business-type Activities	70,626	1,551	43,121	168,708	109,872	110,570	131,110	105,411	159,225	116,985
Total Primary Government Change in Net Position	\$ 67,659	\$ 87,938	\$ 193,122	\$ 326,953	\$ 323,430	\$ 215,392	\$ 96,562	\$ 119,768	\$ 327,826	\$ 207,282

**City of San Diego**  
**Fund Balances of Governmental Funds (Unaudited)**  
**Last Ten Fiscal Years (Dollars in Thousands)**  
 (Modified Accrual Basis of Accounting)

	<b>Pre-GASB 54</b>		
	<b>Fiscal Year</b>		
	<b>2004</b>	<b>2005</b>	<b>2006</b>
General Fund:			
Reserved	\$ 18,550	\$ 17,501	\$ 21,288
Unreserved	42,672	43,547	40,353
Total General Fund	<u>\$ 61,222</u>	<u>\$ 61,048</u>	<u>\$ 61,641</u>
Nonmajor Governmental Funds:			
Reserved	\$ 277,968	\$ 372,806	\$ 401,019
Unreserved, reported in:			
Special Revenue Funds	305,909	284,818	267,576
Debt Service Funds	1,650	13	217
Capital Projects Funds	287,259	279,866	406,130
Permanent Funds	879	1,063	656
Total Nonmajor Governmental Funds	<u>\$ 873,665</u>	<u>\$ 938,566</u>	<u>\$ 1,075,598</u>
	<b>Post-GASB 54<sup>1</sup></b>		
	<b>Fiscal Year</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
General Fund:			
Nonspendable	\$ -	\$ 22,140	\$ -
Spendable:			
Restricted	145,880	102,104	60,507
Committed	1,183	44,831	40,953
Assigned	38,153	-	8,717
Unassigned	60,532	109,475	112,321
Total General Fund	<u>\$ 245,748</u>	<u>\$ 278,550</u>	<u>\$ 222,498</u>
Nonmajor Governmental Funds:			
Nonspendable	\$ 21,093	\$ 19,502	\$ 115,806
Spendable:			
Restricted	1,378,184	876,460	866,750
Committed	92,783	114,722	87,655
Unassigned	(29,569)	(43,841)	(22,578)
Total Nonmajor Governmental Funds	<u>\$ 1,462,491</u>	<u>\$ 966,843</u>	<u>\$ 1,047,633</u>

Footnote:

<sup>1</sup> Starting in fiscal year 2011, data is reported in accordance with GASB Statement No. 54.

Table 3

Pre-GASB 54 Fiscal Year			
2007	2008	2009	2010
\$ 35,858	\$ 45,843	\$ 33,895	\$ 7,996
96,190	78,938	80,497	107,027
<u>\$ 132,048</u>	<u>\$ 124,781</u>	<u>\$ 114,392</u>	<u>\$ 115,023</u>
\$ 504,693	\$ 652,222	\$ 706,971	\$ 776,324
350,096	233,388	221,089	219,394
29	221,814	265,236	159,737
377,648	358,550	430,479	368,860
1,249	549	2,625	2
<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 (Dollars in Thousands)**  
 (Modified Accrual Basis of Accounting)

	Fiscal Year			
	2004	2005	2006	2007
<b>Revenues:</b>				
Property Taxes	\$ 279,090	\$ 325,857	\$ 457,908	\$ 521,734
Special Assessments	26,816	30,263	36,699	36,585
Sales Taxes	238,430	197,198	227,017	264,587
In-Lieu Sales Taxes <sup>1</sup>	-	48,220	45,433	-
Transient Occupancy Taxes <sup>2</sup>	113,209	121,612	136,801	153,574
Other Local Taxes	140,016	152,576	148,001	158,046
Licenses and Permits	30,592	40,724	42,117	41,425
Fines, Forfeitures and Penalties	33,870	33,906	35,441	42,932
Revenue from Use of Money and Property	63,268	77,514	89,438	117,552
Revenue from Federal Agencies	50,493	66,283	43,570	79,735
Revenue from Other Agencies	154,559	143,639	58,289	61,977
Revenue from Private Sources	62,143	91,354	91,287	59,549
Charges for Current Services	129,350	138,794	127,121	159,877
Other Revenue	10,462	11,518	25,923	31,027
<b>Total Revenues</b>	<b>1,332,298</b>	<b>1,479,458</b>	<b>1,565,045</b>	<b>1,728,600</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government and Support	198,826	236,706	290,550	267,461
Public Safety - Police	313,387	347,359	408,474	376,762
Public Safety - Fire and Life Safety and Homeland Security	152,073	178,553	212,069	202,031
Parks, Recreation, Culture and Leisure	170,163	180,327	216,038	182,197
Public Transportation	117,619	140,604	147,977	139,349
Sanitation and Health	42,184	44,327	49,094	44,729
Neighborhood Services	104,205	102,235	112,080	85,544
Capital Outlay	174,346	175,493	126,583	106,518
<b>Debt Service:</b>				
Principal Retirement	49,118	77,952	53,293	68,160
Cost of Issuance	-	-	-	5,145
Interest	68,800	68,201	68,732	82,928
Arbitrage Rebate	421	-	-	-
Refunding Escrow	-	-	-	-
<b>Total Expenditures</b>	<b>1,391,142</b>	<b>1,551,757</b>	<b>1,684,890</b>	<b>1,560,824</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(58,844)</b>	<b>(72,299)</b>	<b>(119,845)</b>	<b>167,776</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	7,373	10,634	6,975	9,509
Transfers Out	(16,474)	(2,366)	(1,784)	(3,546)
Transfer to Escrow Agent	(10,132)	(32,011)	-	(159,690)
Contracts, Notes, and Loans Issued	27,507	5,435	13,873	13,003
Bonds Issued	66,168	152,056	217,797	182,328
Other Sources	3,450	3,278	20,609	19,144
<b>Total Other Financing Sources (Uses)</b>	<b>77,892</b>	<b>137,026</b>	<b>257,470</b>	<b>60,748</b>
<b>Extraordinary Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>\$ 19,048</b>	<b>\$ 64,727</b>	<b>\$ 137,625</b>	<b>\$ 228,524</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>9.7%</b>	<b>10.6%</b>	<b>7.8%</b>	<b>10.7%</b>

**Footnotes:**

<sup>1</sup> The City began reporting In-Lieu Sales Taxes separate from Sales Taxes beginning with fiscal year ended June 30, 2005.

<sup>2</sup> The City began reporting Transient Occupancy Taxes separate from Other Local Taxes beginning with fiscal year ended June 30, 2004.

Table 4

Fiscal Year						
2008	2009	2010	2011	2012	2013	
\$ 573,311	\$ 603,574	\$ 584,342	\$ 569,009	\$ 512,178	\$ 422,617	
50,274	63,500	45,606	42,823	46,964	50,510	
270,791	233,140	192,665	232,077	265,057	269,929	
-	-	-	-	-	-	
159,348	140,657	123,879	139,545	148,795	159,494	
146,899	171,192	183,696	158,797	173,954	166,548	
50,693	39,349	33,088	42,668	41,906	51,662	
32,785	34,406	31,836	33,356	64,816	31,261	
129,582	107,784	91,227	86,720	77,654	80,994	
40,413	70,386	54,056	86,113	70,132	59,863	
53,370	52,456	56,136	54,628	46,604	57,770	
23,013	21,593	21,689	29,126	38,451	71,280	
165,910	203,432	191,769	204,782	215,914	189,551	
30,824	25,711	23,187	32,807	41,446	20,829	
<u>1,727,213</u>	<u>1,767,180</u>	<u>1,633,176</u>	<u>1,712,451</u>	<u>1,743,871</u>	<u>1,632,308</u>	
310,814	344,930	391,680	339,782	279,663	265,489	
388,729	406,657	399,914	402,328	396,098	406,599	
205,660	225,696	210,730	210,539	226,623	228,128	
195,808	211,759	228,357	205,219	228,255	225,411	
135,404	162,969	117,545	115,168	149,344	120,594	
53,957	78,260	78,351	70,274	72,980	65,969	
88,242	73,785	75,772	88,826	218,724	81,559	
132,432	138,634	134,426	142,136	193,727	158,460	
59,228	57,209	65,928	114,774	70,614	46,323	
3,618	1,001	1,881	1,552	880	814	
78,133	78,659	74,825	73,093	56,695	37,399	
-	-	-	-	-	-	
-	-	4,172	-	-	1,572	
<u>1,652,025</u>	<u>1,779,559</u>	<u>1,783,581</u>	<u>1,763,691</u>	<u>1,893,603</u>	<u>1,638,317</u>	
<u>75,188</u>	<u>(12,379)</u>	<u>(150,405)</u>	<u>(51,240)</u>	<u>(149,732)</u>	<u>(6,009)</u>	
10,373	8,246	7,706	7,444	274,458	302,999	
(9,756)	(6,590)	(13,444)	(6,564)	(286,274)	(294,922)	
(10,676)	-	(161,194)	-	(152,936)	(18,973)	
16,063	12,583	48,710	478	2,700	-	
108,121	115,236	183,396	104,857	153,964	94,808	
36,228	32,392	15,341	13,924	12,058	7,477	
<u>150,353</u>	<u>161,867</u>	<u>80,515</u>	<u>120,139</u>	<u>3,970</u>	<u>91,389</u>	
-	-	-	-	(317,084)	(60,642)	
<u>\$ 225,541</u>	<u>\$ 149,488</u>	<u>\$ (69,890)</u>	<u>\$ 68,899</u>	<u>\$ (462,846)</u>	<u>\$ 24,738</u>	
9.3%	8.3%	8.9%	11.7%	7.5%	5.8%	

**City of San Diego**  
**Assessed Value and Estimated Value of Taxable Property (Unaudited)**  
**Last Ten Fiscal Years (Dollars in Thousands)**

Fiscal Year Ended June 30	City			
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value
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
2012	160,568,111	7,614,792	(7,713,035)	160,469,868
2013	159,731,138	7,784,851	(7,883,818)	159,632,171

Sources: MuniServices, LLC and San Diego County Assessor Data



Table 5

Redevelopment Agency					Total
Secured	Unsecured	Less: Exemptions	Taxable Assessed Value		Direct Tax Rate
\$ 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%
17,354,546	967,108	(1,610,637)	16,711,017		0.289%
17,571,696	977,717	(1,683,396)	16,866,017		0.239%

**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	
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%
2012	1.00000%	0.00870%	0.10410%	1.11280%
2013	1.00000%	0.00850%	0.10303%	1.11153%

Sources: MuniServices, LLC and County Auditor/ Controller data

**City of San Diego  
Principal Property Tax Payers (Unaudited)  
Current Year and Nine Years Ago (Dollars in Thousands)**

Table 7

<b>Taxpayer</b>	<b>Taxable Assessed Value</b>	<b>Percent of Total City Taxable Assessed Value</b>
<b><u>For the Fiscal Year Ended June 30, 2013</u></b>		
Kilroy Realty LP	\$ 1,506,263	0.85%
Irvine Co	1,454,270	0.82%
Qualcomm Inc	1,313,238	0.74%
Sunstone	782,232	0.44%
Host Hotels and Resorts LP	765,593	0.43%
Arden Realty LTD Partnership	469,184	0.27%
Fashion Valley Mall LLC	467,185	0.26%
Pfizer Inc	464,537	0.26%
O C S D Holdings LLC	444,560	0.25%
Sea World Inc	429,109	0.24%
<b><u>For the Fiscal Year Ended June 30, 2004</u></b>		
Kilroy Realty LP	616,920	0.54%
Qualcomm Inc	510,834	0.45%
Irvine Co	490,713	0.43%
Fashion Valley Mall LLC	426,783	0.38%
Sea World Inc	295,049	0.26%
Pacific Gateway LTD	255,326	0.23%
ERP Operating LTD Partnership	245,061	0.22%
Manchester Resorts LP	241,729	0.21%
Cal West Industrial Properties	219,960	0.19%
University Towne Centre LLC	198,381	0.17%

Sources: MuniServices, LLC and County Assessor data

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**City of San Diego**  
**Property Tax Levies and Collections <sup>1</sup> (Unaudited)**  
**Last Ten Fiscal Years (Dollars 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
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%
2012	295,977	289,500	97.81%	8,651	298,151	100.73%
2013	299,311	293,557	98.08%	7,930	301,487	100.73%

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 (Dollars in Thousands)

Fiscal Year Ended June 30	Governmental Activities					
	Arbitrage Liability	Capital Lease Obligations	Qualified Energy Conservation Bonds/ Lease Obligation	Contracts Payable	Notes Payable	Loans
2004	\$ 262	\$ 30,619	\$ -	\$ 1,715	\$ 5,998	\$ 69,084
2005	-	30,647	-	1,715	7,924	62,024
2006	-	40,541	-	2,615	7,294	64,199
2007	-	39,130	-	2,615	8,555	60,493
2008	-	61,262	-	2,615	5,662	70,763
2009	533	89,519	-	4,715	4,786	78,347
2010	3	84,561	-	1,018	3,301	110,891
2011	3	68,018	13,142	24,419	-	52,963
2012	-	69,638	12,392	17,421	-	38,748
2013	-	65,369	11,637	7,454	-	27,268

Fiscal Year Ended June 30	Business-Type Activities					
	Arbitrage Liability	Capital Lease Obligations	Notes Payable	Loans Payable	Revenue Bonds Payable	Total Business-Type Activities
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
2012	34	-	-	125,406	1,919,920	2,045,360
2013	60	-	-	145,330	1,850,645	1,996,035

Footnotes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> Ratio is calculated using assessed property values.

<sup>2</sup> Ratio is calculated using population data.

Source: Comprehensive Annual Financial Reports

Table 9

General Obligation Bonds	Pooled Financing Bonds	Governmental Activities			Total Governmental Activities
		Lease Revenue Bonds/ Certificates of Participation	Tax Allocation Bonds	Tobacco Settlement Asset-Backed Bonds	
\$ 45,775	\$ -	\$ 591,620	\$ 314,333	\$ -	\$ 1,059,406
14,530	-	571,285	415,778	-	1,103,903
12,690	-	549,850	514,845	105,400	1,297,434
10,705	-	521,210	502,804	102,700	1,248,212
8,580	34,115	498,950	548,643	99,370	1,329,960
6,315	33,460	579,500	534,547	95,380	1,427,102
4,340	32,780	547,260	529,423	92,350	1,405,927
2,240	32,010	531,550	615,495	89,600	1,429,440
-	-	481,630	-	86,195	706,024
-	-	533,235	-	81,635	726,598

Total Primary Government	Percentage of Assessed Value <sup>1</sup>	Debt Per Capita <sup>2</sup>
\$ 2,863,514	2.66%	\$ 2.21
2,869,500	2.45%	2.20
3,053,630	2.34%	2.34
3,100,648	2.16%	2.35
3,282,862	2.11%	2.46
3,684,334	2.25%	2.76
3,563,675	2.19%	2.62
3,529,650	2.22%	2.69
2,751,384	1.71%	2.08
2,722,633	1.71%	2.05

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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 <sup>1</sup></b>	<b>Population</b>	<b>Debt Per Capita <sup>2</sup></b>
2004	\$ 45,775	\$ 107,725,902	0.042%	1,294,000	\$ 35.37
2005	14,530	117,158,001	0.012%	1,306,000	11.13
2006	12,690	130,318,456 <sup>3</sup>	0.010%	1,305,625	9.72
2007	10,705	143,798,262	0.007%	1,316,837	8.13
2008	8,580	155,734,788	0.006%	1,336,865	6.42
2009	6,315	163,665,794	0.004%	1,333,617	4.74
2010	4,340	162,644,868	0.003%	1,359,132	3.19
2011	2,240	159,265,144	0.001%	1,311,882	1.71
2012	-	160,469,868	0.000%	1,321,315	-
2013	-	159,632,171	0.000%	1,326,238	-

Footnotes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> Ratio is calculated using assessed property values.

<sup>2</sup> Ratio is calculated using population data.

<sup>3</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 and 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.

Sources: MuniServices, LLC, California Department of Finance and Comprehensive Annual Financial Reports

**City of San Diego**  
**Direct and Overlapping Debt (Unaudited)**  
**June 30, 2013 (Dollars in Thousands)**

	Total Debt 6/30/13	% Applicable <sup>1</sup>	City's Share of Debt, 6/30/13
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Metropolitan Water District	\$ 165,085	8.469%	\$ 13,981
Palomar Community College District	315,829	22.546%	71,207
San Diego Community College District	929,379	99.932%	928,746
Poway Unified School District School Facilities Improvement District No. 2002-1 & 2007-1	347,663	54.793 & 55.206%	191,234
San Diego Unified School District	2,366,009	99.935%	2,364,471
Sweetwater Union High School District	361,299	20.067%	72,502
San Ysidro School District	126,153	85.596%	107,982
Other School, High School and Community College Districts	1,399,018	Various	130,889
Grossmont Healthcare District	221,337	7.840%	17,353
Palomar Pomerado Health System	477,632	26.590%	127,002
City of San Diego Special Assessment/Special Tax Bonds <sup>2</sup>	126,730	100.000%	126,730
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	27,870	100.000%	27,870
North City West School District Community Facilities District	71,903	100.000%	71,903
Poway Unified School District Community Facilities Districts	335,683	99.609-100.000%	335,568
San Dieguito Union High School District Community Facilities Districts	42,762	81.063-100	37,068
Sweetwater Union High School District Community Facilities Districts	25,828	8.935-100.000%	20,833
Solana Beach School District Community Facilities Districts	34,450	100.000%	34,450
Other Special District 1915 Act Bonds	16,104	Various	1,584
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 4,681,373</u>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>			
San Diego County General Fund Obligations	\$ 399,780	46.543%	\$ 186,070
San Diego County Pension Obligations	753,898	46.543%	350,887
San Diego Superintendent of Schools Certificates of Participation	17,463	46.543%	8,127
Palomar Community College District General Fund Obligations	5,345	22.546%	1,205
Poway Unified School District Certificates of Participation	34,784	62.916%	21,885
Sweetwater Union High School District Certificates of Participation	4,125	20.067%	828
Chula Vista School District General Fund Obligations	140,585	5.164%	7,260
San Ysidro School District Certificates of Participation	42,932	85.596%	36,748
Other School, High School and Community College District Certificates of Participation	131,092	Various	5,336
City of San Diego General Fund Obligations <sup>3</sup>	533,235	100.000%	533,235
Otay Municipal Water District Certificates of Participation	45,145	7.381%	3,554
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			1,155,135
Less: Otay Municipal Water District Certificates of Participation			<u>3,554</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$ 1,151,581</u>
OVERLAPPING TAX INCREMENT DEBT	\$ 609,630	1.352-100%	\$ 570,734
TOTAL DIRECT DEBT			533,235
TOTAL GROSS OVERLAPPING DEBT			5,874,007
TOTAL NET OVERLAPPING DEBT			5,870,453
GROSS COMBINED TOTAL DEBT <sup>4</sup>			6,407,242
NET COMBINED TOTAL DEBT			6,403,688

**City of San Diego**  
**Direct and Overlapping Debt (Unaudited)**  
**June 30, 2013 (Dollars in Thousands)**  
**(Continued)**

Table 11

Ratios to 2012-13 Assessed Valuation:

Overlapping Tax and Assessment Debt	2.63%
Total Direct Debt (\$533,235)	0.30%
Gross Combined Total Debt	3.60%
Net Combined Total Debt	3.60%

Ratios to Redevelopment Incremental Valuation (\$16,964,430)

Total Overlapping Tax Increment Debt	3.36%
--------------------------------------	-------

Footnotes:

<sup>1</sup> The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentage were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

<sup>2</sup> Amounts reconcile to Note 19, Total Special Assessment / Special Tax Bonds. Excludes Assessment District Piper Ranch Refunding (includes Assessment's District's original bond issue outstanding amount).

<sup>3</sup> Amounts for Total Debt reconcile to Note 5, Total Lease Revenue Bonds / COPs. Excludes \$43,245 and \$6,285 Lease Revenue Refunding Bonds dated 7/11/13 and 8/6/13 respectively. Includes Lease Revenue Bonds original issue outstanding amount.

<sup>4</sup> Excludes Tax and Revenue Anticipation Notes, Enterprise Revenue, Mortgage Revenue and Non-Bonded Capital Lease Obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Sources: MuniServices, LLC and Comprehensive Annual Financial Reports

**City of San Diego**  
**Legal Debt Margin Schedule (Unaudited)**  
**Last Ten Fiscal Years (Dollars in Thousands)**

	Fiscal Year			
	2004	2005	2006	2007
Assessed valuation (restated) <sup>1</sup>	\$ 116,268,372	\$ 129,836,535	\$ 125,983,315	\$ 139,151,323
Conversion percentage <sup>2</sup>	25%	25%	25%	25%
Adjusted assessed valuation	29,067,093	32,459,134	31,495,829	34,787,831
Debt limit percentage <sup>3</sup>	25%	25%	25%	25%
Debt limit <sup>4</sup>	7,266,773	8,114,783	7,873,957	8,696,958
Total net debt applicable to limit:				
General Obligation Bonds	14,390	13,010	11,520	9,905
Legal debt margin	7,252,383	8,101,773	7,862,437	8,687,053
Total debt applicable to the limit as a percentage of the debt limit	0.20%	0.16%	0.15%	0.11%

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 and 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 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 fiscal year 1981-82, each parcel is now assessed at 100% of market value. The calculations shown above present a conversion of assessed valuation data for each fiscal year from the current 100% valuation to the 25% level that was in effect at the time the legal debt margin was enacted.

<sup>3</sup> Section 90 of the City Charter provides that the bonded indebtedness for the development, conservation, and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation.

<sup>4</sup> The current debt limitation for Water is 15% of the Adjusted Assessed Valuation, or \$5,986,206 and the debt limitation for other purposes is 10% of the Adjusted Assessed Valuation, or \$3,990,804.

Source: MuniServices, LLC and Comprehensive Annual Financial Reports

**Table 12**

		<b>Fiscal Year</b>					
		<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
\$	151,083,767	\$ 163,665,794	\$ 162,644,868	\$ 159,265,144	\$ 160,469,868	\$ 159,632,171	
	25%	25%	25%	25%	25%	25%	25%
	37,770,942	40,916,449	40,661,217	39,816,286	40,117,467	39,908,043	
	25%	25%	25%	25%	25%	25%	25%
	9,442,735	10,229,112	10,165,304	9,954,072	10,029,367	9,977,011	
	8,170	6,315	4,340	2,240	-	-	
	9,434,565	10,222,797	10,160,964	9,951,832	10,029,367	9,977,011	
	0.09%	0.06%	0.04%	0.02%	0.00%	0.00%	

**City of San Diego**  
**Pledged-Revenue Coverage - Water Bonds (Unaudited)**  
**Last Ten Fiscal Years (Dollars 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>
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)	103,820
2011	397,755	285,059	112,696	(1,436)	111,260
2012	431,188 <sup>4</sup>	307,465	123,723	(1,919)	121,804
2013	444,751	342,989	101,762	(363)	101,399

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> Includes receipt of State of California Prop 50 grants (\$40 million) and transfers to Rate Stabilization Fund (\$30 million).

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	
\$ 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)	24,536	4.23	56,978	1.89	
6,355	27,760	34,115	(1,436)	32,679	3.40	62,784	1.79	
7,164	30,354	37,518	(1,919)	35,599	3.42	66,191	1.87	
8,719	30,988	39,707	(363)	39,344	2.58	64,210	1.58	

**City of San Diego**  
**Pledged-Revenue Coverage - Sewer Bonds (Unaudited)**  
**Last Ten Fiscal Years (Dollars 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
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	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	380,575	198,773	181,802	42,620	59,868	102,488
2012	391,588	202,132	189,456	44,230	58,253	102,483
2013	385,211	205,215	179,996	46,120	56,368	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.

Source: Comprehensive Annual Financial Reports



Table 14

Senior Debt Service Coverage	All Obligations <sup>3</sup>	
	Total Debt Service	Aggregate Debt Service Coverage
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
1.85	108,542	1.75
1.76	108,547	1.66

**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>
2004	1,294,000	\$ 35,896,854	\$ 27,741	5.0%
2005	1,306,000	38,523,082	29,497	4.5%
2006	1,305,625	37,749,536	28,913	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	1,333,617	42,857,116	32,136	6.0%
2010	1,359,132	43,522,125	32,022	9.7%
2011	1,311,882	40,336,436	30,747	10.2%
2012	1,321,315	42,754,529	32,358	9.5%
2013	1,326,238	43,540,765	32,830	8.9%

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 Bureau, 2010 American Community Survey.

<sup>3</sup> Unemployment data is an annual percentage provided by the EDD's Bureau of Labor Statistics Department.

Sources: MuniServices, LLC and California Department of Finance

**City of San Diego  
Principal Employers (Unaudited)  
Fiscal Year-End 2013**

**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>	30,664	4.30%
University Of California San Diego <sup>3</sup>	28,071	3.93%
Sharp Healthcare <sup>4</sup>	15,906	2.23%
County of San Diego	15,727	2.20%
San Diego Unified School District <sup>5</sup>	13,552	1.90%
Qualcomm, Inc.	13,524	1.89%
City of San Diego <sup>6</sup>	10,026	1.40%
Kaiser Permanente	8,800	1.23%
UC San Diego Medical Center	6,235	0.87%
San Diego Gas & Electric Co. <sup>7</sup>	4,753	0.67%
Total Top Employers	<u>147,258</u>	<u>20.63%</u>

Footnotes:

<sup>1</sup> Percentage based on total employment of 713,900 provided by EDD Labor Force Data.

<sup>2</sup> Employee count includes Navy, Marine and Civic Services personnel.

<sup>3</sup> Employee count includes full and partime, academic and support staff.

<sup>4</sup> Employee count is company-wide.

<sup>5</sup> Employee count is from 2011-2012

<sup>6</sup> Employee count is provided by the City of San Diego, Office of the Comptroller - Payroll Division (Table 17).

<sup>7</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	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government and Support	1,990	1,944	1,816	1,870	1,979	2,248	2,217	2,143	2,101	2,058
Public Safety - Police	2,730	2,774	2,628	2,627	2,712	2,674	2,547	2,409	2,402	2,427
Public Safety - Fire, Life Safety, Homeland Security	1,352	1,373	1,322	1,333	1,314	1,304	1,331	1,265	1,208	1,235
Parks, Recreation, Culture and Leisure	1,822	1,777	1,701	1,663	1,705	1,682	1,675	1,556	1,525	1,646
Transportation	501	461	447	339	326	279	282	280	276	298
Sanitation and Health	161	148	144	129	150	164	156	153	132	121
Neighborhood Services	235	234	177	148	154	145	132	137	127	141
Airports	19	17	14	14	15	16	16	17	17	18
Development Services	524	535	482	426	392	329	258	259	268	293
Environmental Services	219	219	196	188	164	168	172	160	157	153
Golf Course	82	81	88	95	88	97	93	89	100	98
Recycling	119	116	121	108	98	100	97	87	94	97
Sewer Utility	1,071	1,050	976	906	863	817	781	762	731	721
Water Utility	975	943	878	839	829	776	742	734	703	720
Total Employees	<u>11,800</u>	<u>11,672</u>	<u>10,990</u>	<u>10,685</u>	<u>10,789</u>	<u>10,799</u>	<u>10,499</u>	<u>10,051</u>	<u>9,841</u>	<u>10,026</u>

Source: City of San Diego, Office of the Comptroller - Payroll Division

**City of San Diego**  
**Operating Indicators by Function (Unaudited)**  
**Last Eight Fiscal Years <sup>1</sup>**

Table 18

Function	Fiscal Year							
	2006	2007	2008	2009	2010	2011	2012	2013
<u>Public Safety - Police</u>								
Calls for Police Services Dispatched	626,067	623,940	631,371	668,989	653,086	633,328	583,629	570,628
Calls for 9-1-1 Emergencies	471,927	518,291	526,391	506,738	501,094	542,010	572,808	605,015
<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	2,557	3,659
Emergency Calls - Medical/Rescue	84,882	87,789	91,932	94,422	97,049	100,460	104,086	112,864
Emergency Calls - Other	12,918	13,010	13,635	13,671	14,295	15,245	16,478	12,698
Lifeguard:								
Water Rescues	5,075	3,696	4,771	5,233	5,066	4,187	6,011	5,482
Other Rescues	4,490	3,388	4,334	4,813	5,002	5,574	6,094	6,714
Beach Attendance	21,277,945	21,253,050	20,275,495	21,166,884	25,774,465	22,186,170	24,558,435	23,403,527
<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	304,900	308,025
Number of Youth Served in After School Program Sites <sup>2</sup>	80,837	57,111	88,032	84,140	89,790	92,035	78,500	81,889
Library:								
Circulation	7,003,040	7,167,104	7,374,378	7,651,619	7,706,431	7,129,443	6,973,727	6,956,000
Total Attendance - All Libraries	6,017,790	6,040,091	6,234,038	6,601,210	6,143,281	5,771,767	5,602,380	5,818,941
<u>Sewer Utility</u>								
Average Daily Sewage Flow (millions of gallons)	180.95	175.13	175.29	170.78	166.43	169.56	164.38	160.46
Average Daily Peak - Maximum Sewage Flow <sup>3</sup> (millions of gallons)	224.41	215.67	242.19	268.29	288.17	409.80	225.90	206.86
System Daily Capacity (millions of gallons)	255.00	255.00	255.00	255.00	255.00	255.00	255.00	255.00
<u>Water Utility</u>								
Average Daily Production (millions of gallons)	204.74	220.28	204.00	194.00	179.00	171.00	172.00	181.00
Maximum Daily Production (millions of gallons)	279.47	291.17	298.00	283.00	243.00	239.00	247.00	249.00
Total Water Consumption (millions of gallons)	74,730	79,606	74,430	70,893	59,567	56,760	60,944	62,501
Total Water Production <sup>4</sup> (millions of gallons)	79,486	83,202	80,100	77,014	65,644	62,511	63,240	66,167

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: City departments

**City of San Diego**  
**Capital Asset Statistics by Function (Unaudited)**  
**Last Ten Fiscal Years**

Function	Fiscal Year			
	2004	2005	2006	2007
<u>Public Safety - Police</u>				
Stations	10	10	10	10
<u>Public Safety - Fire and Life Safety and Homeland Security</u>				
Fire stations	45	45	45	46
<u>Parks, Recreation, Culture and Leisure</u>				
Park and recreation sites <sup>1</sup>	363	367	370	380
<u>Transportation</u>				
Miles of streets -asphalt,concrete, & dirt <sup>2</sup>	2,985	2,800	2,685	2,700
<u>Airports</u>				
Municipal airports	2	2	2	2
<u>Golf Course</u>				
Municipal golf courses <sup>3</sup>	10	10	10	10
<u>Sewer Utility</u>				
Miles of sewers	3,028	3,030	2,993	3,018
Sewer service laterals	270,365	271,284	271,445	274,014
<u>Water Utility</u>				
Miles of water distribution mains	3,317	3,319	3,336	3,381
Water meters in service	270,022	271,204	272,466	273,304
Fire hydrants	24,428	24,600	24,661	24,905

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 year 2004.

<sup>2</sup> Beginning in 2006, statistics include miles of asphalt and concrete streets. Prior to 2006, statistics also include alleys and dirt streets.

<sup>3</sup> Includes City operated as well as leased golf courses.

Sources: Comprehensive Annual Financial Reports and Citywide departments

Table 19

Fiscal Year					
2008	2009	2010	2011	2012	2013
10	10	10	10	10	10
47	47	47	47	47	47
380	384	385	385	387	387
2,721	2,721	2,774	2,774	2,774	2,777
2	2	2	2	2	2
10	10	10	10	10	10
3,076	3,023	2,991	3,146	3,017	3,021
273,081	273,438	273,587	274,464	274,788	275,404
3,263	3,281	3,294	3,190	3,277	3,294
278,692	274,310	276,217	274,310	276,478	276,998
25,003	25,023	25,044	25,060	25,098	25,157

