

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated as of April 1, 2012 (the “Disclosure Certificate”), is executed and delivered by the City of San Diego (the “City”) in connection with the issuance by the Public Facilities Financing Authority of the City of San Diego (the “Authority”) of \$188,610,000 Public Facilities Financing Authority of the City of San Diego Subordinated Water Revenue Bonds, Refunding Series 2012A (Payable Solely From Subordinated Installment Payments Secured by Net System Revenues of the Water Utility Fund) (the “2012A Bonds”). The 2012A Bonds are being issued pursuant to that certain Indenture, dated as of January 1, 2009, as amended and supplemented by a First Supplemental Indenture, dated as of June 1, 2009, a Second Supplemental Indenture, dated as of June 1, 2010 and a Third Supplemental Indenture, dated as of April 1, 2012 (collectively, the “Indenture”), each by and between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”). In connection therewith, the City, as an “obligated person” with respect to the 2012A Bonds (within the meaning of the Rule, as defined herein), covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the 2012A Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2012A Bonds (including persons holding 2012A Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the then-current Dissemination Agent a written acceptance of such designation.

“Holder” shall mean the person in whose name any 2012A Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement, dated April 3, 2012, relating to the 2012A Bonds.

“Participating Underwriter” shall mean any of the original Underwriters of the 2012A Bonds required to comply with the Rule in connection with offering of the 2012A Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or upon written direction shall cause the Dissemination Agent to, not later than 270 days after the end of the City’s Fiscal Year (which currently ends June 30), commencing with the report for the 2012 Fiscal Year (each, a “Filing Date”), provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate for so long as the 2012A Bonds remain Outstanding. The Annual Report must be submitted in an electronic format as prescribed by the MSRB, accompanied by such identifying information as is prescribed by the MSRB. Not later than fifteen (15) Business Days prior to each Filing Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Filing Date for the filing of the Annual Report if not available by such Filing Date. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c) hereof. The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB in substantially the form attached as Exhibit A. Such notice must be submitted in an electronic format as prescribed by the MSRB, accompanied by such identifying information as is prescribed by the MSRB.

(c) The Dissemination Agent shall:

(i) file the Annual Report with the MSRB; and

(ii) if the Dissemination Agent is other than the City, and such information is available to it, file a report with the City certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Certificate, and stating the date the Annual Report was so provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements for the most recently completed Fiscal Year prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) Financial information and operating data with respect to the City, as such information and data relate to the City's Public Utilities Department and the Water Utility Fund, for the most recently completed Fiscal Year of the type included in the Official Statement, in the following categories (to the extent not included in the City's audited financial statements):

(i) An update of the information contained in Table 1 (entitled "Historical Number of Retail Connections to Water System") of the Official Statement for the most recently completed Fiscal Year;

(ii) An update of the information contained in Table 2 (entitled "Major Non-Governmental Retail Customers and Major Governmental Customers") of the Official Statement for the most recently completed Fiscal Year;

(iii) An update of the information substantially in the form contained in Table 3 (entitled "Raw Water Reservoirs") of the Official Statement for the most recently completed Fiscal Year;

(iv) An update of the information contained in Table 4 (entitled "Capacity and Demand of Water System Water Treatment Plants") of the Official Statement for the most recently completed Fiscal Year;

(v) An update of the information contained in Table 5 (entitled "CWA Water Supply Rates") of the Official Statement for the most recently completed Fiscal Year;

(vi) An update of the information contained in Table 6 (entitled "MWD and CWA Fixed Water Supply Costs") of the Official Statement for the most recently completed Fiscal Year;

(vii) An update of the information substantially in the form contained in Table 7 (entitled "Water Supplies for the City of San Diego") of the Official Statement for the most recently completed Fiscal Year;

(viii) An update of the information substantially in the form contained in Table 10 (entitled "Five-Year Water Service Charge History for Single Family Residential, Multi-Family, Commercial, Industrial, Irrigation, and Temporary Construction") of the Official Statement for the most recently completed Fiscal Year;

(ix) An update of the information contained in Table 11 (entitled “Recent Rate History for Water Capacity Charges”) of the Official Statement for the most recently completed Fiscal Year;

(x) An update of the information contained in Table 12 (entitled “Water Utility Fund Historical Capacity Charge Revenues”) of the Official Statement for the most recently completed Fiscal Year;

(xi) An update of the information contained in Table 13 (entitled “Water Customer Accounts Receivable and Shut-Offs by Fiscal Year”) of the Official Statement for the most recently completed Fiscal Year;

(xii) An update of the information contained in Table 14 (entitled “Historical Sources of Water Sales Revenues”) of the Official Statement for the most recently completed Fiscal Year;

(xiii) An update of the information contained in Table 15 (entitled “Statements of Revenues, Expenses, and Changes in Fund Net Assets for the Water Utility Fund”) of the Official Statement for the most recently completed Fiscal Year;

(xiv) An update of the information contained in Table 16 (entitled “Calculation of Historic Debt Service Coverage”) of the Official Statement for the most recently completed Fiscal Year;

(xv) An update of the information substantially in the form contained in Table 17 (entitled “Water Utility Fund Reserves”) of the Official Statement for the most recently completed Fiscal Year;

(xvi) An update of the information contained in Table 19 (entitled “Outstanding Debt”) of the Official Statement for the most recently completed Fiscal Year;

(xvii) An update of the information contained in Table 22 (entitled “City of San Diego Pooled Investment Fund”) of the Official Statement as of the most recently completed Fiscal Year;

(xviii) An update of the information contained in Table 24 (entitled “City of San Diego Schedule of Funding Progress”) of the Official Statement for the most recently completed Fiscal Year;

(xix) An update of the information contained in Table 25 (entitled “City of San Diego and Water Utility Fund Pension Contribution”) of the Official Statement for the most recently completed Fiscal Year;

(xx) An update of the information contained in Table 27 (entitled “City of San Diego Schedule of Funding Progress (OPEB)”) of the Official Statement for the most recently completed Fiscal Year;

(xxi) An update of the information contained in Table 28 (entitled “City and Water System OPEB Contributions”) of the Official Statement for the most recently completed Fiscal Year; and

(xxii) An update of the information contained in the Official Statement under the heading “WATER SYSTEM FINANCIAL OPERATIONS — Labor Relations” for the most recently completed Fiscal Year.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been made available to the public on the MSRB’s website. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2012A Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court

or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2012A Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the 2012A Bonds or other material events affecting the tax status of the 2012A Bonds;

2. Modifications to rights of Bond holders;

3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution, or sale of property securing repayment of the 2012A Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(d) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected 2012A Bonds pursuant to the Indenture.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the 2012A Bonds. If such termination occurs prior to the final maturity of the 2012A

Bonds, the City shall give notice of such termination a filing with the MSRB in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City. The Dissemination Agent may resign as Dissemination Agent by providing thirty (30) days written notice to the City. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the City. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the City in a timely manner and in a form suitable for filing.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived (provided no amendment that modifies or increases its duties or obligations of the Dissemination Agent shall be effective without the consent of the Dissemination Agent), provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2012A Bonds, or the type of business conducted;

(b) the undertakings herein, as proposed to be amended or taking in account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2012A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the 2012A Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or

including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of the occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter or any holder or beneficial owner of the 2012A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees, and agents harmless against any loss, expense, and liabilities that it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and shall be reimbursed for all expenses, legal fees, and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Authority, the owners of the 2012A Bonds, or any other party. Other than in the case of negligence, gross negligence, or willful misconduct of the Dissemination Agent, the Dissemination Agent shall not have any liability to the owners of the 2012A Bonds or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from any breach of any obligation of the Dissemination Agent. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2012A Bonds.


Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, each Participating Underwriter, and Holders and Beneficial Owners from time to time of the 2012A Bonds, and shall create no rights in any other person or entity.

Section 14. Record Keeping. The City shall maintain records of all Annual Reports and notices of material Listed Events including the content of such disclosure, the names of the entities with whom the such disclosure were filed and the date of filing such disclosure.

Section 15. Governing Law. This Disclosure Certificate shall be governed by the laws of the State of California and the federal securities laws.

IN WITNESS WHEREOF, the City of San Diego has executed this Continuing Disclosure Certificate as of the date first set forth herein.

THE CITY OF SAN DIEGO

By:  _____
Chief Operating Officer

Attest:

By:  _____
City Clerk

APPROVED AS TO FORM:

JAN I. GOLDSMITH, City Attorney

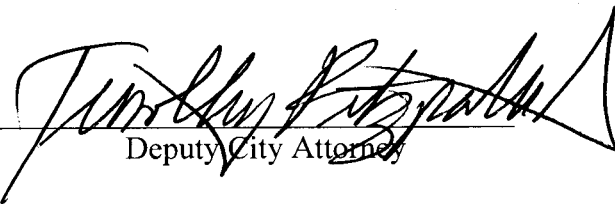
By:  _____
Deputy City Attorney

EXHIBIT A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: The City of San Diego

Name of Issuer: Public Facilities Financing Authority of the City of San Diego

Name of Issue: Public Facilities Financing Authority of the City of San Diego
Subordinated Water Revenue Bonds, Refunding Series 2012A
(Payable Solely From Subordinated Installment Payments Secured
by Net System Revenues of the Water Utility Fund)

Date of Issuance: May 3, 2012

NOTICE IS HEREBY GIVEN that the City of San Diego (the “City”) has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of April 1, 2012 with respect to the Series 2012A Bonds. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

THE CITY OF SAN DIEGO

By: _____