

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

**\$156,560,000**

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO  
Lease Revenue Refunding Bonds, Series 2007A  
(Ballpark Refunding)  
(CUSIP Number [797299](#))**

**\$167,635,000**

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO  
Lease Revenue Refunding Bonds, Series 2010A  
(Master Refunding Project)  
(CUSIP Number [797299](#))**

**\$140,440,000**

**CONVENTION CENTER EXPANSION FINANCING AUTHORITY  
Lease Revenue Refunding Bonds, Series 2012A  
(City of San Diego, California as Lessee)  
(CUSIP Number [79727L](#))**

**\$72,000,000**

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO  
Lease Revenue Bonds, Series 2012A  
(Capital Improvement Projects)  
(CUSIP Number [797299](#))**

**\$18,745,000**

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO  
Lease Revenue Refunding Bonds, Series 2012B  
(Fire and Life Safety Facilities Refunding)  
(CUSIP Number [797299](#))**

**\$43,245,000**

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO  
Lease Revenue Refunding Bonds, Series 2013A  
(Capital Improvement Projects and Old Town Light Rail Extension Refunding)  
(CUSIP NUMBER [797299](#))**

**\$6,285,000**

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO  
Lease Revenue Refunding Bonds, Series 2013B  
(Balboa Park/Mission Bay Park Refunding)  
(CUSIP Number [797299](#))**

## **Introduction**

This Annual Report is being provided by the City of San Diego (the “City”) on behalf of itself, the Public Facilities Financing Authority of the City of San Diego (the “PFFA”), and the Convention Center Expansion Financing Authority (“the Convention Center Authority”) for the above stated issuances pursuant to Continuing Disclosure Certificates (entered into to allow the respective underwriters to comply with Securities and Exchange Commission Rule 15c2-12) for the Fiscal Year ended June 30, 2014.

The City of San Diego’s Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014 (“CAFR”), which includes the City’s Fiscal Year 2014 audited financial statements, was

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

This Annual Report, including any amendment or supplement hereto, will be electronically transmitted by the City acting as the Dissemination Agent to the EMMA System of the MSRB.

This Annual Report is provided in accordance with the terms of the Continuing Disclosure Certificates, and does not purport to provide full and complete information on the terms of the above stated issuances. The filing of this Annual Report does not constitute or imply any representation that no changes, circumstances or events have occurred since the end of the Fiscal Year to which this Annual Report relates (other than as contained in this Annual Report), or that no other information exists, which may have a bearing on the security for the above stated issuances or an investor's decision to buy, sell or hold the above-stated issuances. Certain information and data provided herein was obtained from sources other than the City ("Outside Information"), as indicated by the source citations. Although the information contained in this Annual Report has been obtained from sources that are believed to be reliable, the City has not independently verified such Outside Information, and the City cannot guarantee its completion or accuracy. Certain of the information presented in this Annual Report may contain forward-looking statements. Forward looking statements may be indicated by forward-looking words such as "may," "will," "should," "expects," "believes," "anticipates," "estimates," or others. Forward-looking statements are subject to a variety of uncertainties that could cause actual results to materially differ from the projected results. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the City, the PFFA, or the Convention Center Authority.

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

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

DATED: 4/2, 2015

CITY OF SAN DIEGO

By: Mary Lewis  
Mary Lewis  
Chief Financial Officer

Distribution: Wells Fargo Bank, National Association  
BNY Mellon Trust Company  
Ambac Assurance Corporation

**Ballpark Refunding Lease Revenue Refunding Bonds, Series 2007A**  
**Master Refunding Bonds, Series 2010A**  
**Convention Center Lease Revenue Refunding Bonds, Series 2012A**  
**Capital Improvement Projects Lease Revenue Bonds, Series 2012A**  
**Fire and Life Safety Facilities Project Lease Revenue Refunding Bonds, Series 2012B**  
**Capital Improvement Projects and Old Town Light Rail Extension Refunding Bonds, Series 2013A**  
**Balboa Park/Mission Bay Park Refunding Bonds, Series 2013B**

Annual Report for the Fiscal Year Ended June 30, 2014

As required by the Continuing Disclosure Certificates for the issuances covered by this Annual Report, below are updates of the required certain tabular information from the Official Statements and updates of information under the captions “Labor Relations,” “Pension Plan,” “Public Liability Insurance,” and “Investment of Funds.”

**1. Transient Occupancy Tax**

**CITY OF SAN DIEGO**  
**TRANSIENT OCCUPANCY TAX <sup>(1)(2)</sup>**  
*Fiscal Years Ended June 30, 2010 through 2014*  
*(in thousands)*

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|---------------|
| 2010               | \$123,879     |
| 2011               | \$139,545     |
| 2012               | \$148,795     |
| 2013               | \$159,494     |
| 2014               | \$170,475     |

<sup>(1)</sup> Modified accrual basis of accounting.

<sup>(2)</sup> Includes both the General Fund portion of TOT (5.5¢ of 10.5¢) and the balance (5¢ of 10.5¢) allocated to Special Promotional Programs. Special Promotional Programs are intended to: advance the City’s economy by promoting the City as a visitor destination; develop, maintain, and enhance visitor-related facilities; and support the City’s cultural amenities and natural attractions.

Source: Fiscal Year 2014 Comprehensive Annual Financial Report, Comptroller’s Office, City of San Diego.

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## 2. Operating Budget Summary

**CITY OF SAN DIEGO  
GENERAL FUND  
OPERATING BUDGET SUMMARY  
Fiscal Years 2014 & 2015  
(in thousands)**

|                                                      | <i>Fiscal Year<br/>2014</i>                               | <i>Fiscal Year<br/>2015</i> |
|------------------------------------------------------|-----------------------------------------------------------|-----------------------------|
|                                                      | <i>Actuals on a<br/>Budgetary<br/>Basis<sup>(1)</sup></i> | <i>Adopted<br/>Budget</i>   |
| <b>REVENUE SOURCES:</b>                              |                                                           |                             |
| Property Tax <sup>(2)</sup>                          | \$ 460,592                                                | \$ 445,429                  |
| Sales Tax                                            | 245,932                                                   | 257,106                     |
| Property Transfer Tax                                | 8,309                                                     | 9,176                       |
| Transient Occupancy Tax                              | 89,673                                                    | 92,332                      |
| Licenses and Permits <sup>(3)</sup>                  | 34,952                                                    | 24,460                      |
| Fines, Forfeitures, and Penalties                    | 30,327                                                    | 28,929                      |
| Interest Earnings                                    | 313                                                       | 1,414                       |
| Franchises                                           | 71,953                                                    | 72,044                      |
| Other Rents and Concessions                          | 48,639                                                    | 45,912                      |
| Revenue from Other Agencies/Private Sources          | 11,067                                                    | 9,495                       |
| Charges for Current Services <sup>(4)</sup>          | 164,739                                                   | 120,721                     |
| Transfers from Other Funds                           | 104,719                                                   | 77,133                      |
| Other Revenue                                        | 5,170                                                     | 4,399                       |
| Fund Balance Appropriation <sup>(5)</sup>            | <u>0</u>                                                  | <u>13,872</u>               |
| <b>Total General Fund Revenues and Transfers</b>     | <b><u>\$ 1,276,385</u></b>                                | <b><u>\$ 1,202,422</u></b>  |
| <b>EXPENDITURES:</b>                                 |                                                           |                             |
| Public Safety                                        | \$ 635,862                                                | \$ 618,405                  |
| Parks, Recreation, Culture and Leisure               | 132,968                                                   | 133,465                     |
| Sanitation and Health                                | 68,110                                                    | 77,116                      |
| Transportation                                       | 62,166                                                    | 49,575                      |
| Neighborhood Services                                | 23,832                                                    | 26,356                      |
| General Government and Support <sup>(4)</sup>        | 248,164                                                   | 200,901                     |
| Capital Projects                                     | 3,022                                                     | 3,356                       |
| Debt Service                                         | 3,977                                                     | 4,087                       |
| Transfers to Other Funds                             | <u>73,290</u>                                             | <u>89,161</u>               |
| <b>Total General Fund Expenditures and Transfers</b> | <b><u>\$ 1,251,391</u></b>                                | <b><u>\$ 1,202,422</u></b>  |

(1) Actuals on a Budgetary Basis are prepared using the modified accrual basis of accounting except that (1) the increase/decrease in reserve for advances and deposits are considered as additions/deductions of expenditures, (2) unrealized gains/losses resulting from the change in fair value of investments are excluded, and (3) proceeds from capital leases are excluded.

(2) The variance in Property Tax is primarily due to a one-time \$34.9 million residual distribution in Fiscal Year 2014 of Redevelopment Property Tax Trust Fund (RPTTF) revenue as a result of the Successor Agency's payment of the Non-Housing Due-Diligence Review.

(3) Licenses and Permits revenue decreased in Fiscal Year 2015 due to restructure of Parking Meter Operations out of the General Fund and into a Special Revenue Fund.

(4) Charges for Services Revenue decreased in Fiscal Year 2015 due to a restructure of the Engineering and Capital Projects Department out of the General Fund and into an Internal Service Fund. Also, expenditures for General Government and Support decreased due to this restructure.

(5) The Fiscal Year 2015 Adopted General Fund Budget includes an appropriation of Fund Balance of \$13.9 million. This appropriated fund balance was used for a one-time transfer to the Public Liability Reserve Fund and for Council District Community Projects, Programs and Services in Fiscal Year 2015.

Source: Table: Fiscal Year 2014: Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego; Fiscal Year 2015: Financial Management, City of San Diego.

Footnotes: Comptroller's Office, City of San Diego; and Financial Management, City of San Diego.

### 3. Assessed Valuation

**CITY OF SAN DIEGO**  
**ASSESSED VALUATION** <sup>(1)(2)(3)</sup>  
**Fiscal Years Ended June 30, 2006 through 2015**  
**(in thousands except for percentages)**  
**(unaudited)**

| <i>Fiscal Year</i> | <i>Secured Property</i> | <i>Unsecured Property</i> | <i>Total Gross Assessed Valuation</i> <sup>(4)</sup> | <i>Annual Assessed Valuation % Change</i> |
|--------------------|-------------------------|---------------------------|------------------------------------------------------|-------------------------------------------|
| 2006               | \$139,172,550           | \$7,696,421               | \$146,868,971                                        | 12.88%                                    |
| 2007               | 155,066,168             | 8,521,431                 | 163,587,599                                          | 11.38%                                    |
| 2008               | 170,609,523             | 8,300,343                 | 178,909,866                                          | 9.37%                                     |
| 2009               | 180,350,011             | 8,798,580                 | 189,148,591                                          | 5.72%                                     |
| 2010               | 178,991,464             | 9,076,918                 | 188,068,382                                          | -0.57%                                    |
| 2011               | 176,479,695             | 8,826,634                 | 185,306,329                                          | -1.47%                                    |
| 2012               | 177,922,657             | 8,581,900                 | 186,504,557                                          | 0.65%                                     |
| 2013               | 177,302,834             | 8,762,568                 | 186,065,402                                          | -0.24%                                    |
| 2014               | 184,757,253             | 9,213,895                 | 193,971,148                                          | 4.25%                                     |
| 2015               | 196,336,517             | 9,724,519                 | 206,061,036                                          | 6.23%                                     |

<sup>(1)</sup> The official date of assessment is the first day of January preceding the Fiscal Year during which taxes are levied. For example, January 1, 2014 is the official assessment date for property taxes due during Fiscal Year 2015.

<sup>(2)</sup> Does not include state assessed utility property.

<sup>(3)</sup> Reflects incremental value allocated to former redevelopment project areas.

<sup>(4)</sup> Total assessed valuation before various exemptions are deducted. Fiscal Year 2014 exemptions equaled approximately \$10 million.

Source: Fiscal Years 2006 – 2014: Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller’s Office, City of San Diego. Fiscal Year 2015: Assessor’s Office, County of San Diego.

### 4. Secured Tax Levies and Collections

*Refer to the Unaudited Statistical Section, Table 8 (page 315) “Property Tax Levies and Collections,” to the Fiscal Year 2014 CAFR.*

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**5. Principal Property Taxpayers in City of San Diego**

*For the Fiscal Year 2014 Tax Roll, refer to the Unaudited Statistical Section, Table 7 (page 313) "Principal Property Tax Payers," to the Fiscal Year 2014 CAFR.*

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## **6. Labor Relations**

### **General**

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

As of December 31, 2014, the City has approximately 5,004 MEA-represented employees; 1,763 AFSCME Local 127-represented employees; 1,851 POA-represented employees; 847 IAFF Local 145-represented employees; 331 Teamsters Local 911-represented employees; 142 DCAA-represented employees; and 807 unrepresented employees.

### **Collective Bargaining Agreements**

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

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

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

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

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

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

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

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

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## 7. Pension Plan

### Pension Plan

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

**CITY OF SAN DIEGO**  
**SCHEDULE OF FUNDING PROGRESS**  
**Fiscal Years 2005 through 2014**  
**(\$ In Thousands)**  
**(Unaudited)**

| Valuation Date (June 30) | Actuarial Value of Assets | Market Value of Assets | AAL         | Funded Ratio (Actuarial) | Funded Ratio (Market) | UAAL (Actuarial) | AAL less Market Value of Assets | Covered Payroll <sup>(1)</sup> | UAAL to Covered Payroll |
|--------------------------|---------------------------|------------------------|-------------|--------------------------|-----------------------|------------------|---------------------------------|--------------------------------|-------------------------|
| 2005                     | \$2,983,080               | \$3,205,722            | \$4,377,093 | 68.2%                    | 73.2%                 | \$1,394,013      | \$1,171,371                     | \$557,631                      | 250.0%                  |
| 2006 <sup>(2)</sup>      | 3,981,932                 | 3,981,932              | 4,982,699   | 79.9                     | 79.9                  | 1,000,767        | 1,000,767                       | 534,103                        | 187.4                   |
| 2007 <sup>(3)</sup>      | 4,413,411                 | 4,641,341              | 5,597,653   | 78.8                     | 82.9                  | 1,184,242        | 956,312                         | 512,440                        | 231.1                   |
| 2008 <sup>(4)</sup>      | 4,660,346                 | 4,408,719              | 5,963,550   | 78.2                     | 73.9                  | 1,303,204        | 1,554,831                       | 535,774                        | 243.2                   |
| 2009                     | 4,175,229                 | 3,479,357              | 6,281,636   | 66.5                     | 55.4                  | 2,106,407        | 2,802,279                       | 536,591                        | 392.6                   |
| 2010                     | 4,382,047                 | 3,900,537              | 6,527,224   | 67.1                     | 59.8                  | 2,145,177        | 2,626,687                       | 530,238                        | 404.6                   |
| 2011 <sup>(4)</sup>      | 4,739,399                 | 4,848,059              | 6,917,175   | 68.5                     | 70.1                  | 2,177,776        | 2,069,121                       | 514,265                        | 423.5                   |
| 2012                     | 4,982,442                 | 4,799,827              | 7,261,731   | 68.6                     | 66.1                  | 2,279,289        | 2,461,904                       | 511,091                        | 446.0                   |
| 2013 <sup>(5)</sup>      | 5,317,778                 | 5,395,158              | 7,555,527   | 70.4                     | 71.4                  | 2,237,749        | 2,160,369                       | 499,463                        | 448.0                   |
| 2014                     | 5,828,594                 | 6,292,855              | 7,858,703   | 74.2                     | 80.1                  | 2,030,110        | 1,565,848                       | 480,536                        | 422.5                   |

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

<sup>(2)</sup> Reflects revised actuarial methodologies.

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

<sup>(4)</sup> Reflects revised actuarial methodologies and assumptions.

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

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

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## Pension Contributions

The Table below sets forth the City’s pension contributions and the General Fund’s share for Fiscal Years 2011 through 2015. Prior to Fiscal Year 2014, in addition to the City contributions set forth in the table below, the City made certain pension contributions on behalf of certain employee groups. As of Fiscal Year 2015, the City no longer pays any portion of employee pension contributions. In addition, refer to Note 11, “Pension Plans,” to the Fiscal Year 2014 CAFR.

**CITY OF SAN DIEGO  
PENSION CONTRIBUTION  
Fiscal Years 2011 through 2015  
(\$ In Thousands)**

| <i>Fiscal Year ended (June 30)</i> | <i>Pension Plan ARC/ADC<sup>(1)</sup></i> | <i>Preservation of Benefits Plan ARC/ADC</i> | <i>Total Plan ARC/ADC</i> | <i>Pension Plan Contribution</i> | <i>Preservation of Benefits Plan Contribution</i> | <i>Total Pension Contribution<sup>(2)</sup></i> | <i>General Fund Pension Contribution</i> |
|------------------------------------|-------------------------------------------|----------------------------------------------|---------------------------|----------------------------------|---------------------------------------------------|-------------------------------------------------|------------------------------------------|
| 2011                               | \$229,100                                 | \$1,817                                      | \$230,917                 | \$229,100                        | \$1,323                                           | \$230,423                                       | \$182,913                                |
| 2012                               | 231,200                                   | 1,269                                        | 232,469                   | 231,200                          | 1,687                                             | 232,828                                         | 181,363                                  |
| 2013                               | 231,100                                   | 1,314                                        | 232,414                   | 231,100                          | 1,572                                             | 232,672                                         | 181,883                                  |
| 2014                               | 275,400                                   | 708                                          | 276,108                   | 275,400                          | 1,403                                             | 276,803                                         | 213,457                                  |
| 2015 <sup>(3)</sup>                | 263,600                                   | 876                                          | 264,476                   | 263,604                          | 1,700                                             | 265,304                                         | 192,846                                  |

<sup>(1)</sup> Actuarially Determined Contribution (“ADC”) has replaced the Annual Required Contribution (“ARC”) as the funding policy for SDCERS.

<sup>(2)</sup> Comprised of the pension plan contribution and the Preservation of Benefits Plan (“POB”) Plan contribution; may not sum due to rounding.

<sup>(3)</sup> Except for Pension Plan ARC/ADC all other amounts are projected.

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

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## 8. Postemployment Healthcare Benefits (OPEB)

### Funding Status

The following table shows the City's defined benefit OPEB Plan funding progress for Fiscal Years 2008 through 2014. In addition, refer to Note 12, "Other Postemployment Benefits," in the Fiscal Year 2014 CAFR.

**CITY OF SAN DIEGO**  
**SCHEDULE OF FUNDING PROGRESS (DEFINED BENEFIT OPEB PLAN)**  
**Fiscal Years 2008 through 2014**  
**(\$ In thousands except for percentages)**  
**(unaudited)**

| <i>Fiscal Year<br/>ending<br/>June 30</i> | <i>Actuarial<br/>Value of<br/>Assets</i> | <i>Actuarial<br/>Accrued<br/>Liability</i> | <i>Unfunded<br/>Actuarial<br/>Liability</i> | <i>Funded<br/>Ratio</i> | <i>Covered<br/>Payroll<sup>(1)</sup></i> | <i>UAAL as % of<br/>Covered<br/>Payroll</i> |
|-------------------------------------------|------------------------------------------|--------------------------------------------|---------------------------------------------|-------------------------|------------------------------------------|---------------------------------------------|
| 2008                                      | \$29,637                                 | \$1,235,707                                | \$1,206,070                                 | 2.40%                   | \$556,857                                | 216.6%                                      |
| 2009                                      | 41,497                                   | 1,359,377                                  | 1,317,880                                   | 3.05                    | 549,012                                  | 240.0                                       |
| 2010                                      | 72,720                                   | 1,200,910                                  | 1,128,190                                   | 6.06                    | 472,561                                  | 238.7                                       |
| 2011                                      | 116,608                                  | 1,248,151                                  | 1,131,543                                   | 9.34                    | 455,537                                  | 248.4                                       |
| 2012                                      | 104,304                                  | 553,432                                    | 449,128                                     | 18.85                   | 124,675                                  | 360.2                                       |
| 2013                                      | 113,404                                  | 557,551                                    | 444,147                                     | 20.34                   | 112,782                                  | 393.8                                       |
| 2014                                      | 128,238                                  | 607,712                                    | 479,474                                     | 21.10                   | 98,742                                   | 485.6                                       |

<sup>(1)</sup> Represents DB OPEB Plan participation only.

Source: Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego.

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## 9. Public Liability Insurance

The City is self-insured for Public Liability, Workers' Compensation, and Long-Term Disability ("LTD") claims, and also maintains contracts with various insurance companies to manage additional risks. Public Liability, Workers' Compensation, and LTD estimated liabilities are determined based on results of independent actuarial evaluations and include amounts for claims incurred but not reported (IBNR) and loss adjustment expenses (LAE). Claims liabilities are 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 government-wide financial statements, Sewer Utility Fund, Water Utility Fund, and the Successor Agency Private-Purpose Trust Fund. Estimated liabilities for workers' compensation claims have been recorded in the government-wide financial statements, the Water Utility Fund, Sewer Utility Fund, Non-major Enterprise Funds, and Internal Service Funds. Estimated liabilities for long-term disability were recorded in the Miscellaneous Internal Service Fund.

The table below presents the public liability expense and the liability premium payments for the General Fund for the years presented. Amounts charged to the General Fund for claims and premiums vary from year to year based on a variety of factors, including distribution of claims among other responsible funds. In addition, refer to Note 14, "Risk Management," to the Fiscal Year 2014 CAFR.

**CITY OF SAN DIEGO  
GENERAL FUND LIABILITY CLAIMS AND PREMIUMS  
Fiscal Years ended June 30, 2010 through 2014**

| <b>Fiscal Year</b>  | <b>Liability Claims Payments<br/>and Settlement Costs<sup>(1)</sup></b> | <b>Liability Premium<br/>Payments<sup>(2)</sup></b> |
|---------------------|-------------------------------------------------------------------------|-----------------------------------------------------|
| 2010                | \$16,616,000                                                            | \$5,729,000                                         |
| 2011                | 11,867,000                                                              | 4,939,000                                           |
| 2012                | 7,341,000                                                               | 3,851,000                                           |
| 2013                | 16,027,000                                                              | 3,714,000                                           |
| 2014 <sup>(3)</sup> | 40,559,000                                                              | 5,590,000                                           |

<sup>(1)</sup> The City's General Fund portion of settlement and investigation expenses for third party public liability claims, and other litigation expenses.

<sup>(2)</sup> Premiums for various insurance contracts.

<sup>(3)</sup> Increase in Liability Claims Payments and Settlement costs from Fiscal Year 2013 to 2014 is primarily attributed to the following two large settled claims: Luke Acuna claim in the amount of \$18.5 million and Lexin v. City of San Diego in the amount of \$8.8 million.

Source: Risk Management Department, City of San Diego (unaudited).

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## 10. Investment of Funds (As of June 30, 2014)

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

### Investment of Funds (As of December 31, 2014)

#### *Pool Liquidity and Other Characteristics*

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

#### **CITY OF SAN DIEGO POOLED INVESTMENT FUND** **At December 31, 2014** **(in thousands)** **(unaudited)**

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

<sup>(1)</sup> Based on book value.

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

## 11. General Fund Lease Obligations

### Long-Term Obligations

As of June 30, 2014, the City had \$557,793,000 aggregate principal amount of long-term General Fund lease obligations outstanding, and \$8,661,000 of other obligations outstanding.

The table below provides a schedule, by years, of principal and interest payments required to be made by the City with respect to future obligations, as of June 30, 2014.

**CITY OF SAN DIEGO**  
**GENERAL FUND LEASE PAYMENTS AND OTHER GENERAL FUND OBLIGATIONS<sup>(1)</sup>**  
**As of June 30, 2014**  
**(in thousands)**  
**(Unaudited)**

| <i>Fiscal Year</i>      | <i>General Fund<br/>Lease<br/>Payments<sup>(1)</sup></i> | <i>Other</i>            | <i>Total<br/>Principal<br/>and Interest<br/>Payable</i> |
|-------------------------|----------------------------------------------------------|-------------------------|---------------------------------------------------------|
| 2015                    | \$ 48,259                                                | \$ 8,994 <sup>(2)</sup> | \$ 57,253                                               |
| 2016                    | 48,236                                                   | 0                       | 48,236                                                  |
| 2017                    | 48,204                                                   | 0                       | 48,204                                                  |
| 2018                    | 48,162                                                   | 0                       | 48,162                                                  |
| 2019                    | <u>48,146</u>                                            | <u>0</u>                | <u>48,146</u>                                           |
| Thereafter              | <u>646,422</u>                                           | <u>0</u>                | <u>646,422</u>                                          |
| Subtotal                | \$ 887,428                                               | \$ 8,994                | \$ 896,422                                              |
| Less Interest Portion   | <u>(329,636)</u>                                         | <u>(333)</u>            | <u>(329,969)</u>                                        |
| Total Principal Portion | <u>\$ 557,793</u>                                        | <u>\$ 8,661</u>         | <u>\$ 566,454</u>                                       |

<sup>(1)</sup> Includes lease payments related to Qualified Energy Conservation Bonds (“QECCBs”), which are partially offset by direct cash subsidy payments from the federal government annually over the life of the bonds. For example, the Fiscal Year 2015 subsidy is \$379,187 resulting in a net lease payment of \$1,081,749 after accounting for the subsidy. The amounts above reflect total lease payments.

<sup>(2)</sup> Includes the payment on the Sale of McGuigan Judgment concerning the court-approved class action settlement in the case of William J. McGuigan v. City of San Diego, et. al., which was paid in full on July 1, 2014.

Source: Debt Management Department, City of San Diego.

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The following table provides a summary list of long-term General Fund lease commitments and other General Fund supported obligations outstanding as of June 30, 2014.

**CITY OF SAN DIEGO  
GENERAL FUND SUPPORTED OBLIGATIONS  
(in thousands)  
(Unaudited)**

|                                                                                            | <i><u>Principal<br/>Outstanding as of<br/>June 30, 2014</u></i> |
|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| <b>General Fund Lease Commitments<sup>(1)</sup></b>                                        |                                                                 |
| 2007A – Ballpark Project Refunding Bonds                                                   | \$ 129,780                                                      |
| 2010A – Master Refunding Bonds                                                             | 155,170                                                         |
| 2011 – Qualified Energy Conservation Bonds (Broad Spectrum Street Lighting) <sup>(2)</sup> | 10,863                                                          |
| 2012A – Convention Center Expansion Refunding Bonds                                        | 126,610                                                         |
| 2012A – Deferred Capital Improvement Project Bonds                                         | 70,215                                                          |
| 2012B – Fire and Life Safety Refunding Bonds                                               | 17,720                                                          |
| 2013A – Capital Improvement Projects and Old Town Light Rail Refunding                     | 41,590                                                          |
| 2013B – Balboa Park/Mission Bay Park Refunding                                             | <u>5,845</u>                                                    |
| <b>Total Principal of General Fund Lease Commitments</b>                                   | <b><u>\$ 557,793</u></b>                                        |
| <b>Other</b>                                                                               |                                                                 |
| McGuigan Settlement Modification                                                           | <u>8,661</u>                                                    |
| <b>Total Other</b>                                                                         | <b><u>\$ 8,661</u></b>                                          |
| <b>Total Principal Outstanding</b>                                                         | <b><u>\$ 566,454</u></b>                                        |

<sup>(1)</sup> The Lease Revenue Bonds were issued by two Joint Power Authorities. Bonds are paid from City lease payments made to the Authority from the General Fund.

<sup>(2)</sup> Private placement financing.

Source: Debt Management Department, City of San Diego.

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## 12. Short-Term Borrowings

The City has issued annual tax and revenue anticipation notes in anticipation of the receipt of taxes and other General Fund revenues. The following Table presents a 10-year history of the City's tax and revenue anticipation notes (TRANS):

**CITY OF SAN DIEGO  
GENERAL FUND TAX AND REVENUE ANTICIPATION NOTES  
For Fiscal Years Ended June 30, 2006 through 2015  
(in thousands)**

| <u><i>Fiscal Year</i></u> | <u><i>Principal Amount</i></u> |
|---------------------------|--------------------------------|
| 2006                      | \$145,000                      |
| 2007                      | 142,000                        |
| 2008                      | 116,000                        |
| 2009                      | 135,000                        |
| 2010                      | 124,070                        |
| 2011                      | 163,165                        |
| 2012                      | 161,000                        |
| 2013                      | 100,685                        |
| 2014                      | -- <sup>(1)</sup>              |
| 2015                      | -- <sup>(1)</sup>              |

<sup>(1)</sup> City did not issue TRANS.

Source: Debt Management Department, City of San Diego

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### 13. Future Rental Payments

The City has various General Fund lease contracts under which the City must make annual payments to occupy facilities necessary for City operations. The payments in Fiscal Year 2014 totaled \$7.9 million. The table below is a schedule by years of future minimum rental payments required under such leases entered into by the City that have initial or remaining noncancellable lease terms in excess of one year, as of June 30, 2014. Actual future rental payments will be affected by amendments or extensions to existing leases and by any new leases entered into by the City from time to time.

**CITY OF SAN DIEGO  
FUTURE RENTAL PAYMENTS  
GENERAL FUND OPERATING LEASE COMMITMENTS<sup>(1)</sup>  
(in thousands)  
As of June 30, 2014**

| <u><i>Fiscal Year</i></u> | <u><i>Rent Payable</i></u>            |
|---------------------------|---------------------------------------|
| 2015                      | \$6,814                               |
| 2016                      | 9,361                                 |
| 2017                      | 9,325                                 |
| 2018                      | 9,513                                 |
| 2019                      | 9,746                                 |
| 2020                      | 7,530                                 |
| 2021                      | 6,159                                 |
| 2022                      | 6,164                                 |
| 2023                      | 6,318                                 |
| 2024                      | 6,476                                 |
| 2025-2035                 | 78,888 <sup>(2)</sup>                 |
| Total                     | <u><u>\$156,295<sup>(3)</sup></u></u> |

<sup>(1)</sup> Table describes commercial rent payable by the City under the currently existing lease agreements.

<sup>(2)</sup> Currently, the final lease expires in Fiscal Year 2035.

<sup>(3)</sup> Line items do not add to total due to independent rounding.

Source: Real Estate Assets Department, City of San Diego.

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**14. Statement of Direct and Overlapping Bonded Debt**

*Refer to the Unaudited Statistical Section, Table 11 (pages 320-321) “Direct and Overlapping Debt,” to the Fiscal Year 2014 CAFR.*

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