SUPPLEMENT TO OFFICIAL STATEMENT DATED MAY 20, 2010

Relating to

$167,635,000
PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE REFUNDING BONDS, SERIES 2010A
(MASTER REFUNDING PROJECT)

(Base CUSIP Number: 797299) [1]

This Supplement to Official Statement, dated June 17, 2010 (the "Supplement") supplements the Official Statement, dated May 20, 2010 (the "Official Statement"), with respect to the above-referenced Bonds. This Supplement constitutes an integral part of the Official Statement.

On June 8, 2010, a San Diego County civil grand jury released a report on the City's fiscal condition which made a number of recommendations, including that the Mayor and City Council convene a panel of experts to evaluate the legal and financial ramifications of the City declaring bankruptcy. The City is not considering bankruptcy and neither the Mayor nor the City Attorney believes a bankruptcy filing is appropriate. The City is required to respond to the grand jury recommendations by September 6, 2010. The City has no obligation to implement any grand jury recommendation.

The following paragraph supplements the information on page A-55 of the Official Statement under APPENDIX A—"CITY GOVERNMENT AND FINANCIAL INFORMATION—LITIGATION POTENTIALLY ADVERSELY AFFECTING THE GENERAL FUND AND OTHER OPERATING FUNDS OF THE CITY— Litigation and Regulatory Actions."

Border Business Park, Inc. (aka De La Fuente Business Park, Inc.) v. City of San Diego. Starting in 1995, an Otay Mesa developer filed the first of four lawsuits against the City concerning alleged breaches to a 1986 development agreement and inverse condemnation. The developer, Roque De La Fuente, controls all of the plaintiff entities. In the first lawsuit, *Border Business Park, Inc.*, a jury returned a verdict of $94,500,000 in plaintiff's favor. On appeal, however, the Court of Appeal overturned the jury's verdict and ordered a new trial on the breach of contract claim only. Two other lawsuits, *National Enterprises, Inc.* and *Otay Acquisitions, LLC*, were stayed during the pendency of the *Border Business Park* appeal. Upon remand, the City successfully demurred in each of the three cases, and each was dismissed. Plaintiff subsequently filed appeals in these matters. On June 7, 2010, the California Court of Appeal, Fourth Appellate District, Division Two, reversed the judgments entered in favor of the City on the breach of contract causes of action only. The dismissal of the inverse condemnation causes of action were affirmed. A fourth lawsuit, *Otay Truck Parking, L.P.*, setting forth substantially similar allegations was filed in August 2009. According to the City Attorney, the possible aggregate exposure of these cases ranges between $0 and $30,000,000.

DATE OF SUPPLEMENT: June 17, 2010

NEW ISSUE — FULL BOOK-ENTRY-ONLY

Fitch: A+
Moody's: A2
S&P: A-
See "RATINGS" herein.

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2010A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Series 2010A Bonds is exempt from State of California personal income taxes. Interest on the Series 2010A Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "Tax Matters" herein.

$167,635,000
PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO LEASE REVENUE REFUNDING BONDS, SERIES 2010A (MASTER REFUNDING PROJECT)

Dated: Date of Delivery **Due: March 1 and September 1, as shown on the inside cover**

This cover contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision, including "The City" and "Certain Risk Factors" herein.

The Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds, Series 2010A (Master Refunding Project) (the "*Series 2010A Bonds*") will be issued pursuant to the Master Indenture, dated as of May 1, 2010 (as initially executed and as it may from time to time be amended or supplemented in accordance with the terms thereof, the "*Indenture*"), by and between the Public Facilities Financing Authority of the City of San Diego, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "*Authority*"), and Wells Fargo Bank, N.A., a national banking association existing under and by virtue of the laws of the United States of America, as trustee (the "*Trustee*").

The Series 2010A Bonds are being issued to: (i) refund the outstanding City of San Diego, California, Refunding Certificates of Participation (Balboa Park and Mission Bay Park Capital Improvements Program, Series 1991) (Series 1996B); (ii) refund the outstanding City of San Diego Taxable Lease Revenue Bonds, Series 1996A (San Diego Jack Murphy Stadium); (iii) refund the outstanding Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2009A (Various Capital Improvement Projects); (iv) fund a 2010A Reserve Fund in the amount of the initial Reserve Requirement, as further defined and described herein; and (v) pay costs of issuance incurred in connection with the issuance of the Series 2010A Bonds. See "Estimated Sources and Uses of Funds," and "Plan of Finance" herein.

The Series 2010A Bonds are being issued as fully registered bonds, without coupons, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("*DTC*"). Individual purchases of the Series 2010A Bonds will be made in book-entry form only in the principal amount of $5,000 or any multiple thereof. Interest on the Series 2010A Bonds will be payable on September 1 and March 1 of each year, commencing March 1, 2011. The Trustee will make payments of the principal of and interest on the Series 2010A Bonds directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the Series 2010A Bonds. Disbursement of such payments to the Beneficial Owners of the Series 2010A Bonds is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See Appendix E — "DTC and the Book-Entry Only System."

The Series 2010A Bonds are payable from revenues derived from Base Rental Payments paid by the City of San Diego (the "*City*") for the use and occupancy of the Leased Property (as defined in the Lease (defined below)) as long as the City has such use and occupancy of the Leased Property, and amounts on deposit in certain funds, accounts and subaccounts established under the Indenture, all as set forth in the Indenture. The Authority has leased the Leased Property to the City pursuant to the Master Facilities Lease, dated as of May 1, 2010 (as initially executed and as it may from time to time be amended or supplemented in accordance with the terms thereof, the "*Lease*"), and pursuant to the Lease the City has agreed to pay Base Rental Payments to the Trustee for the use and occupancy of the Leased Property, subject to abatement, in whole or in part, if there is substantial interference with the use or occupancy of the Leased Property. The Series 2010A Bonds are also payable from insurance or condemnation awards, if any, arising under the Lease. See "Security and Sources of Payment for the Series 2010A Bonds" and "Certain Risk Factors" herein.

The Series 2010A Bonds are subject to optional, mandatory sinking fund, and special mandatory redemption as more fully set forth herein. See "The Series 2010A Bonds – Redemption Provisions" herein.

THE SERIES 2010A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY SECURED SOLELY BY THE BASE RENTAL PAYMENTS OF THE CITY PAYABLE UNDER THE LEASE AND CERTAIN FUNDS HELD UNDER THE INDENTURE, AND ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE FAITH AND CREDIT OF THE CITY NOR THE STATE ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2010A BONDS. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2010A BONDS DO NOT CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION WITH RESPECT TO THE CITY OR ANY OTHER POLITICAL SUBDIVISION OR GOVERNMENTAL ENTITY.

The Series 2010A Bonds are offered for sale to the Underwriters subject to the final legal opinion of Squire, Sanders & Dempsey L.L.P., San Francisco, California, as Bond Counsel to the City. Certain legal matters will be passed upon for the City by Squire, Sanders & Dempsey L.L.P., San Francisco, California, as Disclosure Counsel to the City. Certain additional legal matters will be passed upon for the City and the Authority by Jan I. Goldsmith, Esq., City Attorney. Certain legal matters will be passed on for the Underwriters by Nixon Peabody LLP, Los Angeles, California, as counsel for the Underwriters. It is anticipated that the Series 2010A Bonds will be available for delivery to DTC in book-entry form on or about May 27, 2010.

J.P. Morgan

BofA Merrill Lynch **De La Rosa & Co.**

Fidelity Capital Markets **Stone & Youngberg**

Dated: May 20, 2010

Maturity Schedule

$167,635,000
Public Facilities Financing Authority of the City of San Diego
Lease Revenue Refunding Bonds, Series 2010A
(Master Refunding Project)
(Base CUSIP Number: 797299)[1]

Date	Principal Amount	Interest Rate	Price or Yield[2]	CUSIP[1]
September 1, 2011	$ 25,000	3.000%	1.150%	DZ4
March 1, 2012	2,430,000	3.000	1.550	EA8
September 1, 2012	2,440,000	5.000	1.650	EB6
March 1, 2013	2,465,000	3.000	2.040	EC4
September 1, 2013	2,545,000	5.000	2.140	ED2
March 1, 2014	2,560,000	3.000	2.540	EE0
September 1, 2014	2,655,000	5.000	2.640	EF7
March 1, 2015	2,660,000	3.000	3.000	EG5
September 1, 2015	2,760,000	5.000	3.100	EH3
March 1, 2016	2,765,000	3.250	3.380	EJ9
September 1, 2016	2,885,000	5.000	3.480	EK6
March 1, 2017	2,880,000	3.625	3.740	EL4
September 1, 2017	3,000,000	5.000	3.790	EM2
March 1, 2018	3,015,000	3.875	3.990	EN0
September 1, 2018	3,140,000	5.000	4.040	EP5
March 1, 2019	3,140,000	4.000	4.230	EQ3
September 1, 2019	3,285,000	5.000	4.280	ER1
March 1, 2020	3,290,000	4.250	4.430	ES9
September 1, 2020	5,625,000	5.000	4.480	ET7

$8,555,000 5.250% Term Bond due March 1, 2022, Yield: 4.700%[C], CUSIP[1]: 797299FB5
$21,120,000 5.250% Term Bond due March 1, 2025, Yield: 4.920% [C], CUSIP[1]: 797299FC3
$14,265,000 5.000% Term Bond due September 1, 2026, Yield: 5.000%, CUSIP[1]: 797299EU4
$3,705,000 5.000% Term Bond due September 1, 2027, Yield: 5.050%, CUSIP[1]: 797299EV2
$3,905,000 5.000% Term Bond due September 1, 2028, Yield: 5.130%, CUSIP[1]: 797299EW0
$4,100,000 5.100% Term Bond due September 1, 2029, Yield: 5.200%, CUSIP[1]: 797299EX8
$4,305,000 5.125% Term Bond due September 1, 2030, Yield: 5.250%, CUSIP[1]: 797299EY6
$25,205,000 5.250% Term Bond due September 1, 2035, Yield: 5.340%, CUSIP[1]: 797299EZ3
$28,910,000 5.250% Term Bond due March 1, 2040, Yield: 5.370%, CUSIP[1]: 797299FA7

1 Copyright 2010, American Bankers Association. CUSIP numbers herein are provided by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc., and are set forth herein for the convenience of reference only. None of the City, the Authority, Bond Counsel, Disclosure Counsel, the Underwriters or the Financial Advisor assume any responsibility for the accuracy of such numbers.
2 Reoffering yields/prices are furnished by the Underwriters. Neither the Authority nor the City take any responsibility for the accuracy thereof.
[C] Priced to first par call on September 1, 2020.

CITY OF SAN DIEGO

MAYOR
Jerry Sanders

City Council

Sherri S. Lightner (*District 1*)	Carl DeMaio (*District 5*)
Kevin Faulconer (*District 2*)	Donna Frye (*District 6*)
Todd Gloria (*District 3*)	Marti Emerald (*District 7*)
Tony Young (*District 4*)	Ben Hueso, City Council President (*District 8*)

CITY ATTORNEY

Jan I. Goldsmith

CITY OFFICIALS

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

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO

BOARD OF COMMISSIONERS

Joseph W. Craver, *Chair –Public Member*
John Chalker, *Vice Chair – Public Member*
There is one Public Member vacancy
Gail R. Granewich, *Secretary – City Treasurer*
William Anderson – *Assistant Executive Director of the Redevelopment Agency*

BOND COUNSEL/DISCLOSURE COUNSEL

Squire, Sanders & Dempsey L.L.P.

FINANCIAL ADVISOR

Montague DeRose and Associates, LLC

TRUSTEE

Wells Fargo Bank, N.A.

No dealer, broker, salesperson or other person has been authorized by the Authority or the City to give any information or to make any representations other than those contained herein, and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2010A Bonds by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2010A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information in APPENDIX F — "DTC AND THE BOOK-ENTRY-ONLY SYSTEM" attached hereto has been furnished by The Depository Trust Company and no representation has been made by the Authority or the City or the Underwriters as to the accuracy or completeness of such information.

The information set forth herein other than that provided by the City, although obtained from sources which are believed by the City to be reliable, is not guaranteed by the City or the Authority as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date thereof. This Official Statement is submitted with respect to the sale of the Series 2010A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2010A BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2010A BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

A wide variety of other information, including financial information, concerning the City, is available from publications and websites of the City and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted.

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OFFICIAL STATEMENT

$167,635,000
PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE REFUNDING BONDS, SERIES 2010A
(MASTER REFUNDING PROJECT)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Series 2010A Bonds being offered hereby, and a brief description of the Official Statement. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement, including the Appendices. References to, and summaries of, provisions of the City Charter, the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

GENERAL

This introduction is not intended to be a complete statement of the terms and provisions of the Series 2010A Bonds and is qualified by the more detailed information contained elsewhere in this Official Statement. This Official Statement, which includes the cover page, inside cover page, and appendices hereto (the "*Official Statement*"), is provided for the purpose of setting forth information concerning the issuance and sale by the Public Facilities Financing Authority of the City of San Diego (the "*Authority*") of its $167,635,000 Lease Revenue Refunding Bonds, Series 2010A (the "*Series 2010A Bonds*"). Capitalized terms not otherwise defined herein have the meanings given in the Indenture (hereinafter defined) and the Lease (hereinafter defined) or in APPENDIX D — "SUMMARY OF LEGAL DOCUMENTS" hereto.

CHANGES TO PRELIMINARY OFFICIAL STATEMENT

Certain information in the Official Statement, including Appendices A and B hereto has been updated since the Preliminary Official Statement, dated May 7, 2010. The changes, in addition to those resulting from the pricing of the Series 2010A Bonds, are principally the result of the release of City and State budget documents and monthly unemployment rates after the date of the Preliminary Official Statement. See APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION—Changes to Preliminary Official Statement" and APPENDIX B—"DEMOGRAPHIC AND OTHER INFORMATION REGARDING THE CITY—Changes to Preliminary Official Statement."

AUTHORITY; PURPOSE FOR ISSUANCE

The Series 2010A Bonds are authorized under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California

Government Code (the "*Act*") and the laws of the State of California. The Series 2010A Bonds are being issued pursuant to the Master Indenture, dated as of May 1, 2010 (as initially executed and as it may from time to time be amended or supplemented in accordance with the terms thereof, the "*Indenture*"), by and between the Authority and Wells Fargo Bank, N.A., as trustee (the "*Trustee*").

The Series 2010A Bonds are being issued: (i) to refund the outstanding City of San Diego, California Refunding Certificates of Participation (Balboa Park and Mission Bay Park Capital Improvements Program, Series 1991) Series 1996B, of which $7,625,000 remains outstanding (the "*1996B Certificates*"); (ii) to refund the outstanding Public Facilities Financing Authority of the City of San Diego, Taxable Lease Revenue Bonds, Series 1996A (San Diego Jack Murphy Stadium), of which $54,670,000 remains outstanding (the "*1996A Stadium Bonds*"); (iii) to refund the outstanding Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2009A (Various Capital Improvement Projects), of which $103,000,000 remains outstanding (the "*2009A Bonds*", and, together with the 1996B Certificates and the 1996A Bonds, the "*Refunded Bonds*"); (iv) to fund a 2010A Reserve Fund in an amount equal to the Reserve Requirement; and (v) to pay costs of issuance incurred in connection with the Series 2010A Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS," and "PLAN OF REFUNDING" herein.

THE LEASE PAYMENTS AND THE SERIES 2010A BONDS

The City of San Diego (the *"City"*), exercising its powers under the City Charter (the "*Charter*") to convey and lease property, will lease certain real property, including the land, buildings and other improvements thereon owned by the City, as further described herein (the "*Leased Property*"), to the Authority pursuant to the Master Site Lease, dated as of May 1, 2010, between the City and the Authority (as initially executed and as it may from time to time be amended or supplemented in accordance with the terms thereof, the "*Site Lease*"), and the Authority will, pursuant to the Master Facilities Lease, dated as of May 1, 2010, between the City and the Authority (as initially executed and as it may from time to time be amended or supplemented in accordance with the terms thereof, the "*Lease*"), sublease the Leased Property to the City and the City will sublease the Leased Property back from the Authority.

On or before each Lease Payment Date (on February 25 and August 25, commencing August 25, 2010) during the term of the Lease, the City is required to pay to the Trustee the Base Rental Payments ("Base Rental Payments") due on such date from the City's General Fund, or from other legally available sources. The Trustee, as assignee of the Authority, will receive the Base Rental Payments for the benefit of the Owners of the Series 2010A Bonds and credit such Base Rental Payments to the Revenue Fund established pursuant to the Indenture. Under the Lease, the City covenants to take such action as may be necessary to include all Base Rental Payments payable under the Lease in its operating budget for each fiscal year and make the necessary annual appropriations therefor. The Lease provides that such covenants of the City are deemed by the City to be and will be construed to be ministerial duties imposed by law.

The Series 2010A Bonds are not secured by any security interest in or mortgage on the Leased Property or any other property.

During any period in which material damage, destruction, title defect or condemnation of all or a portion of the Leased Property or other event results in substantial interference with the use and occupancy of the Leased Property or any portion thereof, all or a portion of the Base Rental Payments due under the Lease will be abated such that the remaining Base Rental Payments due under the Lease represent fair rental for the use of the portion of the Leased Property not affected. In the event of any such interruption of use and occupancy, the Lease will continue in full force and effect and proceeds of use and occupancy insurance, if any, and amounts in the 2010A Reserve Fund, if any, will be used to pay Base Rental Payments that would otherwise be abated. See "SECURITY AND SOURCES OF PAYMENT — Abatement of Rental Payments" herein and APPENDIX D — "SUMMARY OF LEGAL DOCUMENTS — THE LEASE — Rental Abatement."

INDENTURE AND SECURITY FOR THE SERIES 2010A BONDS

The Series 2010A Bonds will be secured under the Indenture solely by a pledge of Revenues (the "*Revenues*") and moneys held in certain funds, accounts or subaccounts held under the Indenture that are pledged to the payment of the Series 2010A Bonds. The Revenues consist of (a) all Base Rental Payments, prepayments, insurance proceeds, condemnation proceeds; (b) the Revenue Fund and all interest and other income deposited, pursuant to the Indenture, in the Revenue Fund and (c) with respect to the Series 2010A Bonds, the 2010A Reserve Fund, which will be funded on the date of issuance of the Series 2010A Bonds in the amount of one-half of maximum annual Debt Service for the Series 2010A Bonds. Each Base Rental Payment will be paid on a date, beginning August 25, 2010, which is at least six months prior to the respective Interest Payment Date and principal payment date to which it relates.

ADDITIONAL BONDS

The Authority may at any time issue Additional Bonds pursuant to a Supplemental Indenture, payable from the Revenues as provided in the Indenture and secured by a pledge of and charge and lien upon the Revenues as provided in the Indenture equal to the pledge, charge and lien securing the Series 2010A Bonds, subject to the conditions precedent set forth in the Indenture. The Series 2010A Bonds, and any Additional Bonds issued under the Indenture, are sometimes collectively referred to herein as the "*Bonds*." See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS – Additional Bonds" herein.

BONDHOLDERS' RISKS

There are a number of risks associated with the purchase of the Series 2010A Bonds. See "CERTAIN RISK FACTORS" herein for a discussion of certain of these risks.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "projected" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct in whole or in part. Neither the Authority nor the City is obligated to issue any updates or revisions to the forward-looking statements if or when expectations, or events, conditions or circumstances on which such statements are based do or do not occur.

The presentation of information in APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION," including tables of receipt of revenues, is intended to show recent historical information, except for the budget for Fiscal Year 2010 and the proposed budget for Fiscal Year 2011, and the City disclaims any representations that any of such information may indicate future or continuing trends in the financial condition, results of operations or any other affairs of the City. No representation is made that past experience, results of operations or financial condition, as it might be shown by such financial and other information, will continue or be repeated in the future. (For ease of reference, references in this Official Statement to any particular Fiscal Year (e.g., Fiscal Year 2010) shall mean the Fiscal Year ending June 30 of the referenced year.)

CONTINUING DISCLOSURE

The City has agreed to provide, in accordance with Rule 15c2-12(b)(5), promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "*Rule*"), notice of certain material events. These covenants have been made in order to assist the Underwriters in complying with the Rule. Beginning in March 2004, the City failed to comply with various filing deadlines for a number of undertakings due to the unavailability of audited financial statements for the City. Each required annual report and audited financial statement was subsequently filed. As of April 2010, the City was current with its filings and is in compliance with its continuing disclosure obligations. See "CONTINUING DISCLOSURE" herein.

2006 SEC ORDER AND RELATED MATTERS

SEC Order

On November 14, 2006, the City entered into a cease-and-desist order (the "*Order*") with the Securities and Exchange Commission (the "*Commission*") relating to violations of the antifraud provisions of the federal securities laws in connection with the offer and sale of municipal securities in calendar years 2002 and 2003, and other related public financial disclosures concerning its pension and retiree health care liabilities. The Commission concluded that the "City, through its officials, acted with scienter," because "City officials acted recklessly in failing to disclose material information regarding [pension and retiree health care] liabilities." The Order imposed certain remedial sanctions, including the retention of an independent consultant to review and assess the City's policies, procedures and internal controls with respect to bond offerings, including disclosures made in its financial statements. The Order settled all claims between the City and the Commission with respect to the alleged violations of the federal securities laws in 2002 and 2003. On January 16, 2007, the City retained Stanley Keller of the law firm of Edwards Angell Palmer & Dodge, LLP to serve as independent consultant (the "Independent Consultant"). The Independent Consultant was required to conduct annual reviews of the City's policies, procedures and internal controls for a three year period, and provide copies of such reports to the Commission. The Independent Consultant's final report was presented to the City Council on March 8, 2010.

Audited Financial Reports

As a result of various investigations into the City regarding, principally, the events that were the subject of the SEC Order, the completion and release of the City's audited financial statements were substantially delayed. The City issued its Comprehensive Annual Financial Reports (each a "CAFR") with unqualified opinions for Fiscal Years 2003 through 2008 during the period from June 2007 through March 2009. The City received an unqualified opinion from its outside auditor on December 21, 2009, with respect to the Fiscal Year 2009 CAFR, which was received and filed with the City Council on February 1, 2010. The City is now current with respect to all financial reporting.

City Ratings

Beginning in 2004, as a further result of the investigations into the City and the related delays in the completion and release of the City's CAFRs, Moody's Investors Service, Inc. ("*Moody's*"), and Fitch Ratings ("*Fitch*") downgraded the credit ratings on the City's obligations and changed the outlook on those ratings to negative. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("*S&P*"), placed the City's credit rating on negative outlook and subsequently suspended its credit ratings on all City obligations. The City's credit ratings were reinstated in May 2008 by S&P in connection with the release of its CAFRs for Fiscal Years 2003 through 2006. The City currently maintains ratings with stable outlooks on its bonds and other City debt obligations from all three rating agencies to the extent that such bonds and debt obligations were rated at issuance or were subsequently rated. See "RATINGS" herein for a description of the ratings assigned to the Series 2010A Bonds.

Other Information in This Official Statement

For important information regarding the City's budget and finances, see the section herein captioned "THE CITY" and the section captioned "STATE BUDGET" in APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION." In addition, certain other demographic, financial and other information with respect to or affecting the City is contained elsewhere in APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION," in APPENDIX B — "DEMOGRAPHIC AND OTHER INFORMATION REGARDING THE CITY," and in APPENDIX C — "CITY OF SAN DIEGO COMPREHENSIVE ANNUAL FINANCIAL REPORT."

Brief descriptions of the Series 2010A Bonds, the Indenture, the Lease, the Site Lease and other documents and information are included in this Official Statement, including APPENDIX D — "SUMMARY OF LEGAL DOCUMENTS." Such descriptions and information do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to statutes and the documents summarized, copies of which may be obtained upon request to Wells Fargo Bank, N.A., 707 Wilshire Blvd, 17th Floor, Los Angeles, CA 90017, Attention: Corporate Trust Department, Phone: (213) 614-3353, Fax: (213) 614-3355.

The Series 2010A Bonds

General Terms

The Series 2010A Bonds will be dated, and accrue interest from, the date of their delivery and will bear interest at the rates per annum and mature in the amounts and on the dates shown on the inside cover page of this Official Statement. The Series 2010A Bonds will be issued as fully registered bonds, without coupons, registered in the name of Cede & Co., as nominee of DTC. Individual purchase of the Series 2010A Bonds will be made in book-entry form only in the principal amount of $5,000 or any multiple thereof. Interest on the Series 2010A Bonds will be payable on September 1 and March 1 of each year (each, an "*Interest Payment Date*"), commencing March 1, 2011. The Trustee will make payments of the principal and interest on the Series 2010A Bonds directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the Series 2010A Bonds. See APPENDIX F – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest on the Series 2010A Bonds will be payable semiannually on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed on such Interest Payment Date by first class mail to the Owners at the respective addresses of such Owners as they appear on the Registration Books; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Series 2010A Bonds in the aggregate principal amount of $1,000,000 or more who will furnish written wire instructions to the Trustee at least five (5) days before the applicable Record Date.

Principal of the Series 2010A Bonds upon maturity or earlier redemption of such Series 2010A Bonds will be paid by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee. Principal of and interest and premium (if any) on the Bonds will be payable in lawful money of the United States of America. See APPENDIX F – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

REDEMPTION PROVISIONS

Optional Redemption. The Series 2010A Bonds maturing on or before September 1, 2020 are not subject to optional redemption prior to their respective stated maturities. The Series 2010A Bonds maturing on or after March 1, 2021, will be subject to optional redemption, in whole or in part, on any date on or after September 1, 2020, from any available source of funds of the City, at a redemption price equal to the principal amount of the Series 2010A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. Any such redemption will be in such order of maturity as the City will designate in a written notice (and, if no specific order of redemption is designated by the City, pro rata among maturities).

Special Mandatory Redemption. The Series 2010A Bonds will also be subject to redemption as a whole or in part on any date, to the extent the Trustee has received hazard or title insurance proceeds or condemnation proceeds not used to repair or replace any portion of the Leased Property damaged, destroyed or taken and elected by the City to be used for such purpose as provided in the Indenture, at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2010A Bonds maturing on March 1, 2022 are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments deposited in the Series 2010A Bonds Sinking Account, on each semi-annual principal payment date commencing March 1, 2021 from sinking fund payments derived from scheduled Base Rental Payments made by the City at a redemption price equal to the principal amount thereof to be redeemed and interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

DATE	PRINCIPAL AMOUNT TO BE REDEEMED
March 1, 2021	$1,315,000
September 1, 2021	3,615,000
March 1, 2022†	3,625,000

†Maturity

The Series 2010A Bonds maturing on March 1, 2025 are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments deposited in the Series 2010A Bonds Sinking Account, on each semi-annual principal payment date commencing September 1, 2022 from sinking fund payments derived from scheduled Base Rental Payments made by the City at a redemption price equal to the principal amount thereof to be redeemed and interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

DATE	PRINCIPAL AMOUNT TO BE REDEEMED
September 1, 2022	$3,335,000
March 1, 2023	3,345,000
September 1, 2023	3,515,000
March 1, 2024	3,520,000
September 1, 2024	3,705,000
March 1, 2025†	3,700,000

†Maturity

The Series 2010A Bonds maturing on September 1, 2026 are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments deposited in the Series 2010A Bonds Sinking Account, on each semi-annual principal payment date commencing September 1, 2025 from sinking fund payments derived from scheduled Base Rental Payments made by the City at a redemption price equal to the principal amount thereof to be redeemed and interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

DATE	PRINCIPAL AMOUNT TO BE REDEEMED
September 1, 2025	$3,905,000
March 1, 2026	3,895,000
September 1, 2026†	6,465,000

†Maturity

The Series 2010A Bonds maturing on September 1, 2027 are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments deposited in the Series 2010A Bonds Sinking Account, on each semi-annual principal payment date commencing March 1, 2027 from sinking fund payments derived from scheduled Base Rental Payments made by the City at a redemption price equal to the principal amount thereof to be redeemed and interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

Date	Principal Amount to be redeemed
March 1, 2027	$1,785,000
September 1, 2027†	1,920,000

†Maturity

The Series 2010A Bonds maturing on September 1, 2028 are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments deposited in the Series 2010A Bonds Sinking Account, on each semi-annual principal payment date commencing March 1, 2028 from sinking fund payments derived from scheduled Base Rental Payments made by the City at a redemption price equal to the principal amount thereof to be redeemed and interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

Date	Principal Amount to be redeemed
March 1, 2028	$1,880,000
September 1, 2028†	2,025,000

†Maturity

The Series 2010A Bonds maturing on September 1, 2029 are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments deposited in the Series 2010A Bonds Sinking Account, on each semi-annual principal payment date commencing March 1, 2029 from sinking fund payments derived from scheduled Base Rental Payments made by the City at a redemption price equal to the principal amount thereof to be redeemed and interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

Date	Principal Amount to be redeemed
March 1, 2029	$1,970,000
September 1, 2029†	2,130,000

†Maturity

The Series 2010A Bonds maturing on September 1, 2030 are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments deposited in the Series 2010A Bonds Sinking Account, on each semi-annual principal payment date commencing March 1, 2030 from sinking fund payments derived from scheduled Base

Rental Payments made by the City at a redemption price equal to the principal amount thereof to be redeemed and interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

DATE	PRINCIPAL AMOUNT TO BE REDEEMED
March 1, 2030	$2,070,000
September 1, 2030†	2,235,000

†Maturity

The Series 2010A Bonds maturing on September 1, 2035 are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments deposited in the Series 2010A Bonds Sinking Account, on each semi-annual principal payment date commencing March 1, 2031 from sinking fund payments derived from scheduled Base Rental Payments made by the City at a redemption price equal to the principal amount thereof to be redeemed and interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

DATE	PRINCIPAL AMOUNT TO BE REDEEMED
March 1, 2031	$2,180,000
September 1, 2031	2,325,000
March 1, 2032	2,325,000
September 1, 2032	2,445,000
March 1, 2033	2,450,000
September 1, 2033	2,575,000
March 1, 2034	2,580,000
September 1, 2034	2,715,000
March 1, 2035	2,715,000
September 1, 2035†	2,895,000

†Maturity

The Series 2010A Bonds maturing on March 1, 2040 are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments deposited in the Series 2010A Bonds Sinking Account, on each semi-annual principal payment date commencing March 1, 2036 from sinking fund payments derived from scheduled Base Rental Payments made by the City at a redemption price equal to the principal amount thereof to be redeemed and interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

Date	Principal Amount to be redeemed
March 1, 2036	$2,825,000
September 1, 2036	3,015,000
March 1, 2037	3,010,000
September 1, 2037	3,175,000
March 1, 2038	3,170,000
September 1, 2038	3,340,000
March 1, 2039	3,340,000
September 1, 2039	3,515,000
March 1, 2040†	3,520,000

†Maturity

Provided, however, that if some but not all of the Series 2010A Bonds maturing on or after March 1, 2022 ("*Term Bonds*") have been optionally redeemed as described above, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of Term Bonds so redeemed, to be allocated among the sinking fund payments as are thereafter payable on a pro rata basis in integral multiples of $5,000 to the extent possible and in inverse order thereafter.

The City will have the option, in lieu of sinking fund redemption of any Term Bonds, to direct the Trustee to use and withdraw amounts on deposit as sinking fund payments for the Series 2010A Bonds, at any time for the purchase by the City (or the Trustee on behalf of the City) of Term Bonds otherwise required to be redeemed on the following principal payment date, at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the City may in its discretion determine. The par amount of any of Term Bonds so purchased by the City and surrendered to the Trustee for cancellation in any six-month period ending on the semi-annual principal payment date will be credited towards and will reduce the par amount of such Term Bonds otherwise required to be redeemed on such principal payment date pursuant to mandatory sinking fund redemption, as set forth in the Indenture.

The City will also have the option to deliver for cancellation to the Trustee Term Bonds in any aggregate principal amount, and to receive a credit therefore against the mandatory sinking fund payment set forth above. This option will be exercised by the City on or before the 35th day preceding the applicable mandatory sinking fund redemption date, by furnishing to the Trustee a written certificate setting forth the extent of the credit to be applied with respect to the mandatory sinking fund payment for Term Bonds. If the written certificate is not furnished timely to the Trustee, no credit will be made against that mandatory sinking fund payment, although credits may be available against subsequent mandatory sinking fund payments.

To the extent not applied theretofore as a credit against any mandatory sinking fund payment described in the preceding paragraph, such a credit will also be received by the City for any Term Bonds which prior thereto have been purchased or redeemed other than through the operation of the mandatory sinking fund payment or have been purchased for cancellation and cancelled by the Trustee.

Each Term Bond so delivered, redeemed previously, or purchased and cancelled, will be credited by the Trustee at 100 percent of the principal amount thereof against the mandatory sinking fund payment, subject to the completion of the procedures described above. Any excess of that amount over the then current mandatory sinking fund payment will be credited against subsequent mandatory sinking fund payments starting with the next subsequent such payment, unless otherwise directed by the City in a written certificate.

Selection for Redemption. If less than all of the Series 2010A Bonds of a particular maturity are to be redeemed, the Trustee will select the Series 2010A Bonds to be redeemed from all Series 2010A Bonds of such maturity or such given portion thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion will deem appropriate. For purposes of such selection, the Trustee will treat each Series 2010A Bond as consisting of separate $5,000 portions and each such portion will be subject to redemption as if such portion were a separate Series 2010A Bond. If less than all Outstanding Bonds are called for redemption from proceeds of eminent domain or insurance at any one time, the Authority will designate the maturity or maturities of the Bonds to be redeemed, which, to the extent practicable, results in approximately equal annual debt service on the Bonds Outstanding following such redemption.

Notice of Redemption. Notice of redemption will be mailed by the Trustee by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days before any redemption date, to the respective Owners of any Series 2010A Bonds designated for redemption at their addresses appearing on the Registration Books, and to the Securities Depositories and to the Information Services by means acceptable to such institutions. Each notice of redemption will state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Series 2010A Bonds (or all Series 2010A Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Series 2010A Bonds within a maturity are called for redemption) bond numbers of the Series 2010A Bonds to be redeemed, the maturity or maturities of the Series 2010A Bonds to be redeemed and in the case of Series 2010A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the redemption date there will become due and payable on each of said Series 2010A Bonds the redemption price thereof, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2010A Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date.

Notwithstanding the foregoing, in the case of any optional redemption of the Series 2010A Bonds, the notice of redemption will state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Series 2010A Bonds on the anticipated redemption date, and that the optional redemption will not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Series 2010A Bonds have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Series 2010A Bonds, such event will not constitute an Event of Default, the Trustee will send written notice to the Owners, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Series 2010A Bonds for which notice of optional redemption was given will remain Outstanding.

The City will have the right to rescind any optional or special mandatory redemption by written notice to the Trustee on or prior to the date fixed for redemption. The Trustee will mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Purchase in Lieu of Redemption. Purchase in lieu of redemption will be available to all Series 2010A Bonds called for optional redemption or for such lesser portion of such Series 2010A Bonds as constitute authorized denominations. In a written certificate, the City may direct the Trustee (or another agent appointed by the City to make such purchase upon behalf of the City), to purchase all or such lesser portion of the Series 2010A Bonds called for optional redemption at the optional redemption price.

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company, New York, New York ("*DTC*"), will act as securities depository for the Series 2010A Bonds. The Series 2010A Bonds will be registered in the name of Cede & Co. (DTC's partnership nominee), and will be available to ultimate purchasers only under the book-entry system maintained by DTC in the denomination of $5,000 or any integral multiple thereof. Ultimate purchasers of Series 2010A Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Series 2010A Bonds. So long as the Series 2010A Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners of the Series 2010A Bonds will mean Cede & Co., and will not mean the ultimate purchasers of the Series 2010A Bonds. Payments by the Trustee of the principal of and interest on the Series 2010A Bonds and any notice with respect to any Series 2010A Bond will be sent directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the Series 2010A Bonds. Disbursements of such payments and delivery of such notices to DTC's Participants are the responsibility of DTC and disbursements of such payments and delivery of such notices to the Beneficial Owners are the responsibility of DTC's Participants and Indirect Participants. See APPENDIX F — "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

PLAN OF REFUNDING

Refunding of the 1996A Bonds. Concurrently with the issuance of the Series 2010A Bonds, the City will deposit a portion of the proceeds of the Series 2010A Bonds, together with other available funds, in an amount sufficient to pay and defease all the outstanding 1996A Bonds at their redemption price on their redemption date, plus all interest due to such redemption date with The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "*1996A Trustee*") under the indenture securing the 1996A Bonds, as follows:

Principal Amount	Redemption Price	Redemption/ Payment Date	BASE CUSIP[1]
$54,670,000	100%	June 28, 2010	797299

Refunding of the 1996B Certificates. Concurrently with the issuance of the Series 2010A Bonds, the City will deposit a portion of the proceeds of the Series 2010A Bonds, together with other available funds, in an amount sufficient to pay and defease all outstanding 1996B Certificates at their redemption prices on their redemption date, plus all interest due to such redemption date with The Bank of New York Mellon Trust Company, N.A. (the "*1996B Trustee*") under the indenture securing the 1996B Certificates, as follows:

Principal Amount	Redemption Price	Redemption/ Payment Date	BASE CUSIP[1]
$7,625,000	100%	June 28, 2010	797260

Refunding of the 2009A Bonds. Concurrently with the issuance of the Series 2010A Bonds, the City will deposit a portion of the proceeds of the Series 2010A Bonds, together with other available funds, in an amount sufficient to pay and defease all outstanding 2009A Bonds at their redemption prices on their redemption date, plus all interest due to such redemption date, with Wells Fargo Bank, National Association, as trustee (the "*2009A Trustee*") under the indenture securing the 2009A Bonds, as follows:

Principal Amount	Redemption Price	Redemption/ Defeasance Date	CUSIP[1]
$103,000,000	100%	May 27, 2010	N/A[2]

Upon such deposits, all of the Refunded Bonds will no longer be Outstanding under their respective indentures.

[1] Copyright 2010, American Bankers Association. CUSIP numbers herein are provided by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc., and are set forth herein for the convenience of reference only. None of the City, the Authority, Bond Counsel, Disclosure Counsel, the Underwriters or the Financial Advisor assume any responsibility for the accuracy of such numbers.

[2] Private placement. No CUSIP number was assigned.

ESTIMATED SOURCES AND USES OF FUNDS

The sources of funds to be received from the sale of the Series 2010A Bonds and the proposed uses of the Series 2010A Bond proceeds are estimated to be in the amounts shown below.

SOURCES OF FUNDS	
Principal Amount of Series 2010A Bonds	$167,635,000.00
Plus Net Original Issue Premium	1,922,749.75
Debt Service Reserve Fund for the 1996A Bonds	5,827,000.00
City deposit of budgeted interest for the 2009A Bonds	1,970,254.56
Total Sources	$177,355,004.31
USES OF FUNDS	
Deposit for refunding of 2009A Bonds	$104,970,254.56
Deposit for refunding of 1996A Bonds(1)	56,324,771.85
Deposit for refunding of 1996B Certificates	7,695,947.58
Deposit in the 2010A Debt Service Reserve Fund	6,501,540.63
Costs of Issuance (2)	1,862,489.69
Total Uses	$177,355,004.31

(1) Includes Debt Service Reserve Fund for the 1996A Bonds.

(2) Includes fees and costs associated with the issuance of the Series 2010A Bonds, including, but not limited to, trustee fees, underwriters' discount, financial advisor fees and expenses, bond counsel fees and expenses, disclosure counsel fees and expenses, rating agency fees, title insurance costs, appraisal fees, printing costs, and eligible City staff costs.

DEBT SERVICE SCHEDULE

DATE	SERIES 2010A PRINCIPAL	SERIES 2010A INTEREST	TOTAL SERIES 2010A DEBT SERVICE(1)
March 1, 2011		$ 6,256,276.24	$ 6,256,276.24
September 1, 2011	$ 25,000	4,109,962.51	4,134,962.51
March 1, 2012	2,430,000	4,109,587.51	6,539,587.51
September 1, 2012	2,440,000	4,073,137.51	6,513,137.51
March 1, 2013	2,465,000	4,012,137.51	6,477,137.51
September 1, 2013	2,545,000	3,975,162.51	6,520,162.51
March 1, 2014	2,560,000	3,911,537.51	6,471,537.51
September 1, 2014	2,655,000	3,873,137.51	6,528,137.51
March 1, 2015	2,660,000	3,806,762.51	6,466,762.51
September 1, 2015	2,760,000	3,766,862.51	6,526,862.51
March 1, 2016	2,765,000	3,697,862.51	6,462,862.51
September 1, 2016	2,885,000	3,652,931.26	6,537,931.26
March 1, 2017	2,880,000	3,580,806.26	6,460,806.26
September 1, 2017	3,000,000	3,528,606.26	6,528,606.26
March 1, 2018	3,015,000	3,453,606.26	6,468,606.26
September 1, 2018	3,140,000	3,395,190.63	6,535,190.63
March 1, 2019	3,140,000	3,316,690.63	6,456,690.63
September 1, 2019	3,285,000	3,253,890.63	6,538,890.63
March 1, 2020	3,290,000	3,171,765.63	6,461,765.63
September 1, 2020	5,625,000	3,101,853.13	8,726,853.13
March 1, 2021	1,315,000	2,961,228.13	4,276,228.13
September 1, 2021	3,615,000	2,926,709.38	6,541,709.38
March 1, 2022	3,625,000	2,831,815.63	6,456,815.63
September 1, 2022	3,335,000	2,736,659.38	6,071,659.38
March 1, 2023	3,345,000	2,649,115.63	5,994,115.63
September 1, 2023	3,515,000	2,561,309.38	6,076,309.38
March 1, 2024	3,520,000	2,469,040.63	5,989,040.63
September 1, 2024	3,705,000	2,376,640.63	6,081,640.63
March 1, 2025	3,700,000	2,279,384.38	5,979,384.38
September 1, 2025	3,905,000	2,182,259.38	6,087,259.38

DATE	SERIES 2010A PRINCIPAL	SERIES 2010A INTEREST	TOTAL SERIES 2010A DEBT SERVICE(1)
March 1, 2026	3,895,000	2,084,634.38	5,979,634.38
September 1, 2026	6,465,000	1,987,259.38	8,452,259.38
March 1, 2027	1,785,000	1,825,634.38	3,610,634.38
September 1, 2027	1,920,000	1,781,009.38	3,701,009.38
March 1, 2028	1,880,000	1,733,009.38	3,613,009.38
September 1, 2028	2,025,000	1,686,009.38	3,711,009.38
March 1, 2029	1,970,000	1,635,384.38	3,605,384.38
September 1, 2029	2,130,000	1,585,149.38	3,715,149.38
March 1, 2030	2,070,000	1,530,834.38	3,600,834.38
September 1, 2030	2,235,000	1,477,790.63	3,712,790.63
March 1, 2031	2,180,000	1,420,518.75	3,600,518.75
September 1, 2031	2,325,000	1,363,293.75	3,688,293.75
March 1, 2032	2,325,000	1,302,262.50	3,627,262.50
September 1, 2032	2,445,000	1,241,231.25	3,686,231.25
March 1, 2033	2,450,000	1,177,050.00	3,627,050.00
September 1, 2033	2,575,000	1,112,737.50	3,687,737.50
March 1, 2034	2,580,000	1,045,143.75	3,625,143.75
September 1, 2034	2,715,000	977,418.75	3,692,418.75
March 1, 2035	2,715,000	906,150.00	3,621,150.00
September 1, 2035	2,895,000	834,881.25	3,729,881.25
March 1, 2036	2,825,000	758,887.50	3,583,887.50
September 1, 2036	3,015,000	684,731.25	3,699,731.25
March 1, 2037	3,010,000	605,587.50	3,615,587.50
September 1, 2037	3,175,000	526,575.00	3,701,575.00
March 1, 2038	3,170,000	443,231.25	3,613,231.25
September 1, 2038	3,340,000	360,018.75	3,700,018.75
March 1, 2039	3,340,000	272,343.75	3,612,343.75
September 1, 2039	3,515,000	184,668.75	3,699,668.75
March 1, 2040	3,520,000	92,400.00	3,612,400.00
TOTAL	$167,635,000	$134,657,775.88	$302,292,775.88

(1) Represents total debt service on the Series 2010A Bonds, but does not include any payments on any other outstanding lease revenue bonds of the City or the Authority, which, like the Series 2010A Bonds, are payable from lease payments by the City made from its General Fund. See APPENDIX A — "CITY OF SAN DIEGO GOVERNMENT AND FINANCIAL INFORMATION — BONDED AND OTHER INDEBTEDNESS — Long Term Obligations" for a description of City's other outstanding lease obligations.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS

GENERAL

The Series 2010A Bonds will be secured solely by a pledge of Revenues and certain moneys, funds and accounts pledged to the payment of the Series 2010A Bonds under the Indenture. The Revenues consist of (a) all Base Rental Payments (described below), prepayments, insurance proceeds, and condemnation proceeds with respect to the Leased Property, (b) the Revenue Fund and all interest and other income deposited in the Revenue Fund, and (c) the 2010A Reserve Fund.

The Base Rental Payments will be paid by the City, from the City's General Fund or from other legally available sources, to the Trustee in an amount sufficient to pay the principal of and interest on the Series 2010A Bonds on each Interest Payment Date and redemption date. Each Base Rental Payment will be paid on a date, beginning August 25, 2010, which is at least six months prior to the respective Interest Payment Date and principal payment date to which it relates. The Authority may, from time to time, enter into supplemental indentures without the consent of the owners of the Series 2010A Bonds for the purpose of issuing Additional Bonds payable from a pledge of Revenues as provided in the Indenture and secured by a pledge of such Revenues equal to the pledge securing the outstanding Series 2010A Bonds, subject to certain specific conditions set forth in the Indenture. See "— ADDITIONAL BONDS" herein.

BASE RENTAL PAYMENTS; ADDITIONAL PAYMENTS

On or before each Lease Payment Date (on February 25 and August 25, commencing August 25, 2010) during the term of the Lease, the City is required to pay to the Trustee the Base Rental Payments due on such date from the City's General Fund, or from other legally available sources. The Trustee, as assignee of the Authority, will receive the Base Rental Payments for the benefit of the Owners of the Series 2010A Bonds and credit such Base Rental Payments to the Revenue Fund established pursuant to the Indenture. The Trustee will apply the Revenues held in the Revenue Fund on each Interest Payment Date to pay principal and interest due on such date on the Series 2010A Bonds.

Under the Lease, in addition to the Base Rental Payments payable thereunder, the City has agreed to pay Additional Payments consisting of such amounts, if any, in each year as will be required for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Site Lease or the Lease, including but not limited to all fees, costs and expenses and all administrative costs of the Authority relating to the Leased Property and indemnification of the Trustee. The Base Rental Payments and Additional Payments, collectively, constitute the "*Lease Payments*."

Under the Lease, such payments of Base Rental Payments and Additional Payments for each Lease Year or portion thereof during the term of the Lease will constitute the total rental for such Lease Year or portion thereof and will be paid or payable by the City from funds of the

City lawfully available therefor for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Leased Property by the City for and during such Lease Year.

COVENANT TO BUDGET

The City has covenanted in the Lease to take such action as may be necessary to include all Lease Payments payable by the City thereunder in its operating budget for each fiscal year and to make the necessary annual appropriations for all such Lease Payments. The Lease provides that such covenants on the part of the City are deemed to be and will be construed to be ministerial duties imposed by law, and it will be the duty of the applicable officials of the City to take such action and do such things as are required by law in the performance of the official duty of such official to enable the City to carry out and perform the covenants and agreements in the Lease.

For a discussion of financial and budgetary information relating to the City's General Fund, see APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION" herein.

LIMITED OBLIGATION

The obligation of the City to make Base Rental Payments under the Lease does not constitute an obligation to levy or pledge, or for which the City has levied or pledged, any form of taxation. Neither the Series 2010A Bonds nor the obligation of the City to make Base Rental Payments or Additional Payments constitutes an indebtedness or the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. See "CERTAIN RISK FACTORS — Limited Obligations of the City.

ABATEMENT OF LEASE PAYMENTS

During any period in which material damage, destruction, title defect or condemnation of all or a portion of the Leased Property or other event results in substantial interference with the use and occupancy of the Leased Property or any portion thereof, all or a portion of the Lease Payments due under the Lease will be abated such that the remaining Lease Payments due under the Lease represent fair rental for the use of the portion of the Leased Property not affected. In the event of any such interruption of use and occupancy, the Lease will continue in full force and effect and proceeds of use and occupancy insurance, if any, and amounts in the 2010A Reserve Fund, if any, will be used to pay Base Rental Payments that would otherwise be abated. See APPENDIX D — "SUMMARY OF LEGAL DOCUMENTS — THE LEASE — Rental Abatement."

In order to mitigate the risk that an abatement event will cause a disruption in payment of Lease Payments, the Lease requires the City to maintain use and occupancy insurance against loss of use caused by hazards covered by property insurance required by the Lease (see "— Fire and Extended Coverage Insurance" below) (excluding any Leased Property where the City only owns the underlying land and not any improvements thereon (at this time, being the Mission Bay Sites)) in an amount sufficient to pay the Base Rental Payments attributable to the Leased Property for a twenty-four month period; provided, that the amount of such insurance need not exceed the total remaining Base Rental Payments. See "—Use and Occupancy Insurance" below. During any period of abatement with respect to all or any part of the Leased Property, the Trustee is required to use the proceeds of the use and occupancy insurance to make payments of principal and interest represented by the Series 2010A Bonds. In lieu of abatement of Lease Payments, the City in its sole discretion may elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Leased Property, or portion thereof, pursuant to the substitution provisions of the Lease. See "—Substitution, Removal or Addition of Leased Property" below. In addition, the Indenture establishes a 2010A Reserve Fund and requires the Trustee to use any moneys on deposit in the 2010A Reserve Fund to make payments of principal and interest represented by the Series 2010A Bonds and any Additional Bonds secured thereby pursuant to the Supplemental Indenture authorizing such Additional Bonds.

The City participates in the joint purchase of insurance through the CSAC-EIA pool, which includes flood and earthquake coverage in limited amounts for certain scheduled locations. This property insurance includes coverage for rental interruption for designated locations. Three components of the Leased Property are currently covered by such flood insurance: San Diego Police Headquarters, Northwestern Division Police Station, and Rose Canyon Operation Center. Two components of the Leased Property are currently covered by such earthquake insurance: San Diego Police Headquarters and Northwestern Division Police Station. See "THE LEASED PROPERTY" herein and APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION — Risk Management — Property Insurance." **The City is not required to provide flood or earthquake insurance for the Leased Property pursuant to the Lease, and the City, at its discretion, may elect at any time to modify the designation of covered properties in the future, in which case it is possible that none of the Leased Property will be covered, in which case, in the event of loss of use from flood or earthquake, the only source of funds to make Base Rental Payments will be money, if any, held in the Reserve Fund.**

2010A RESERVE FUND

Pursuant to the Indenture, a Reserve Fund established thereunder may secure more than one Series of Bonds, as specified in the Supplemental Indenture authorizing such Series. If there is more than one Reserve Fund securing different Series of Bonds, then the Trustee will establish one or more separate Reserve Funds, each of which will secure, and may be used to pay, only those Series of Bonds which are secured thereby, as provided in the Indenture and the Supplemental Indenture authorizing such Series of Bonds.

The Indenture establishes the 2010A Reserve Fund (the "*2010A Reserve Fund*"), which will be held by the Trustee pursuant to the Indenture and will secure the Series 2010A Bonds and any Additional Bonds which are specified in the Supplemental Indenture authorizing such

Additional Bonds as secured by the 2010A Reserve Fund. The 2010A Reserve Fund will be initially funded in an amount equal to the least of: (i) 10% of the initial aggregate principal amount of the Series 2010A Bonds; or (ii) one-half of maximum annual Debt Service for the Series 2010A Bonds; or (iii) 125% of average annual Debt Service on all outstanding Series 2010A Bonds (such amount being the "*Reserve Requirement*" for the Series 2010A Bonds). On the date of issuance of the Series 2010A Bonds, the Reserve Requirement for the Series 2010A Bonds will be $6,501,540.63.

All money in the 2010A Reserve Fund will be used and withdrawn by the Trustee for the purpose of replenishing the Interest Account or the Principal Account, in that order, in the event of any deficiency at any time in either of such accounts, but solely for the purpose of paying the interest or principal of or redemption premiums, if any, on the Series 2010A Bonds and any Additional Bonds secured by the 2010A Reserve Fund on a pro rata basis, or for the retirement of all Series 2010A Bonds and any Additional Bonds secured by the 2010A Reserve Fund then Outstanding; except that so long as the Authority is not in default under the Indenture, any amounts in the 2010A Reserve Fund in excess of the Reserve Requirement thereof will be withdrawn from the 2010A Reserve Fund and deposited in the Interest Account for the Series 2010A Bonds or any Additional Bonds secured by the 2010A Reserve Fund on a pro rata basis on each Interest Payment Date. For purposes of determining the amount on deposit in the 2010A Reserve Fund, the Trustee will value on the last Business Day of each February and August those amounts invested in Permitted Investments at the market value thereof.

Pursuant to the Indenture, all amounts in the 2010A Reserve Fund are irrevocably pledged to the payment of, and will be used solely to pay, the interest and premium, if any, and principal of the Series 2010A Bonds and any Additional Bonds secured by the 2010A Reserve Fund.

In the event of the defeasance of the Series 2010A Bonds and any Additional Bonds secured by the 2010A Reserve Fund, the City may, in a written certificate, direct the Trustee to withdraw: (i) from the 2010A Reserve Fund any amount therein in excess of the Reserve Requirement for such Series after giving effect to such defeasance; and (ii) from the Interest Account and Principal Account, the amount therein related to Debt Service on the Series of Bonds being defeased, and deposit such amount in the fund to be held by the Trustee for the payment of Debt Service on such Bonds being defeased; provided that such withdrawal may not be made unless (A) immediately thereafter, the Series of Bonds being defeased will be deemed to have been no longer Outstanding pursuant the Indenture; (B) the amount remaining in such 2010A Reserve Fund, after giving affect to the defeasance of such Series of Bonds, will not be less than the Reserve Requirement for the Series of Bonds secured by the 2010A Reserve Fund; and (C) the amount remaining in the Interest Account and Principal Account, after giving effect to the defeasance of such Series of Bonds, will not be less than the amount required under the Indenture to be on deposit therein to pay Debt Service on the Outstanding Bonds secured by the 2010A Reserve Fund.

All interest income received by the Trustee on investment of moneys in the 2010A Reserve Fund will be retained in a 2010A Reserve Fund to the extent required to maintain the Reserve Requirement, and thereafter transferred to the Interest Account for the Series 2010A Bonds or any Additional Bonds secured by the 2010A Reserve Fund on a pro rata basis. See "CERTAIN RISK FACTORS — 2010A Reserve Fund" herein.

ADDITIONAL BONDS

The Indenture provides that the Authority and the City may, at any time, determine to issue and deliver Additional Bonds without the consent of the Owners of Series 2010A Bonds, payable from the Revenues pledged to the Series 2010A Bonds as provided therein and secured by a pledge of the Revenues as provided therein equal to the pledge securing the Outstanding Series 2010A Bonds, subject to satisfying certain terms and conditions set forth in the Indenture. The conditions for the issuance of Additional Bonds include:

(1) No Event of Default will be continuing under the Indenture after giving effect to the issuance of the Additional Bonds and the application of the proceeds thereof.

(2) The Supplemental Indenture will require that the proceeds of such Additional Bonds will be applied to finance or refinance capital improvements, or for the refunding or repayment of any Outstanding Bonds or other obligations of the City issued to finance or refinance capital improvements, including payment of the interest to become due on said Additional Bonds during the estimated period of any construction and for a period of not to exceed twelve (12) months thereafter.

(3) The Supplemental Indenture will establish a Reserve Fund securing such Series of Additional Bonds (which may be a Reserve Fund also securing other Series of Bonds) and will require to be deposited in the Reserve Fund securing such Series of Additional Bonds an amount at least equal to the Reserve Requirement for all Series of Bonds secured by such Reserve Fund.

(4) The Lease will be amended, if necessary, so that the Base Rental Payments payable by the City thereunder in each Fiscal Year will at least equal projected Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year.

(5) If the additional facilities, if any, to be leased are not situated on Leased Property described in the Lease and the Site Lease, then the Lease and Site Lease will be amended to add such additional Leased Property. *See* APPENDIX D — "SUMMARY OF LEGAL DOCUMENTS — INDENTURE — ADDITIONAL BONDS" herein.

Nothing in the Indenture prevents payment of Debt Service on any Series of Additional Bonds from being secured and payable from sources, or by property, instruments or documents, not applicable to the Series 2010A Bonds or any one or more Series of Additional Bonds.

See "CERTAIN RISK FACTORS – No Limitation on Incurring Additional Obligations" herein.

REPAIR AND MAINTENANCE; TAXES AND ASSESSMENTS; INSURANCE; MODIFICATION OF THE LEASED PROPERTY

During the term of the Lease, the City will, at its own cost and expense (or will require tenants of the City, at their cost and expense) to, maintain, preserve and keep the Leased Property and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. The Authority will have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

The City and the Authority will not create, or suffer to be created, any mortgage, pledge, lien, charge or other encumbrance upon the Leased Property, except Permitted Encumbrances. The City and the Authority will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as provided in the Lease.

Notwithstanding anything to the contrary contained in the Lease, but subject to the rights of the City described above, the City may assign, transfer or sublease any and all of the Leased Property or its other rights under the Lease, provided that: (i) the rights of any assignee, transferee or sublessee will be subordinate to all rights of the Authority and Trustee under the Lease; (ii) no such assignment, transfer or sublease will relieve the City of any of its obligations under the Lease; (iii) the assignment, transfer or sublease will not result in a breach of any covenant of the City contained in the Lease; (iv) any such assignment, transfer or sublease will by its terms expressly provide that the fair rental value of the Leased Property for all purposes shall be first allocated to the Lease, as the same may be amended from time to time before or after any such assignment, transfer or sublease; and (v) no such assignment, transfer or sublease will confer upon the parties thereto (other than the City) any remedy which allows reentry upon the Leased Property and such right of reentry will be subordinated to the remedies available under the Lease.

In the event that the use, possession or acquisition by the City or the Authority of the Leased Property is found to be subject to taxation in any form, the City will pay or cause to be paid during the term of the Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; provided, however, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the City will be obligated to pay only such installments as are accrued during such time as the Lease is in effect.

FIRE AND EXTENDED COVERAGE INSURANCE

The City is required to procure and maintain, or cause to be procured and maintained, throughout the term of the Lease, insurance against loss or damage to the Leased Property (excluding that Leased Property where the City only owns the underlying land and not any improvements thereon) caused by fire and lightning but exclusive of flood and earthquake, with an extended coverage endorsement covering the risk of vandalism and malicious mischief, sprinkler system leakage and boiler loss. Such insurance will be in an amount equal to the lesser of (A) the replacement cost (without deduction for depreciation) of improvements located or to be located on the Leased Property; or (B) the remaining unpaid principal amount of Bonds Outstanding, plus the amount of use and occupancy coverage (described below), except that such insurance may be subject to deductible clauses of not to exceed the first one hundred thousand dollars ($100,000) of the amount of any one loss. Fire and extended coverage insurance and use and occupancy insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property insured by the City; provided that the amount of coverage available thereunder will be at least equal to the cumulative replacement values of the Leased Property and any other such property which is the subject of a lease, installment purchase or other financing arrangement ("*Financed Property*") for which bonds, certificates of participation or other obligations will have been issued ("*Obligations*") plus the amount of use and occupancy coverage required by the Lease; in the event the City elects to obtain insurance for the Leased Property and one or more additional parcels of real property and the amount of the insurance proceeds available to pay all claims thereunder is not sufficient to cover the replacement values of all such properties, then any such proceeds will be used first to rebuild or repair the Leased Property or to repay the Bonds. Such insurance may be part of a joint-purchase insurance program. The provider of such insurance will be rated at least "A-" by A.M. Best & Company. As an alternative to providing the fire and extended coverage insurance required by the Lease, or any portion thereof, the City may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection will afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. See APPENDIX D — "SUMMARY OF LEGAL DOCUMENTS — LEASE — Maintenance; Taxes; Insurance and Other Charges." The City participates in the joint purchase of insurance through the CSAC-EIA pool which includes flood and earthquake coverage in limited amounts for certain scheduled locations, which include certain, but not all, components of the Leased Property. See "SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2010A BONDS — Abatement of Lease Payments" herein and APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION — Risk Management — Property Insurance." The City is not required to provide flood or earthquake insurance for the Leased Property pursuant to the Lease, and the City, and at its discretion, may elect at any time to modify the designation of covered properties in the future, in which case it is possible that none of the Leased Property will be covered and that in the event of loss of use from flood or earthquake, the only source of funds to make Base Rental Payments will be money, if any, held in the Reserve Fund.

USE AND OCCUPANCY INSURANCE

The City is required to procure and maintain use and occupancy insurance against loss, total or partial, of the use and occupancy of the Leased Property (excluding that Leased Property where the City only owns the underlying land and not any improvements thereon) against loss of use caused by hazards covered by property insurance required by the Lease (see "—Fire and Extended Coverage Insurance" above), in an amount sufficient to pay the Base Rental Payments attributable to the Leased Property for a twenty-four month period; provided, that the amount of such insurance need not exceed the total remaining Base Rental Payments; provided further, that such insurance may be part of a policy of fire and extended coverage insurance permitted by the Lease; provided further, the City may obtain use and occupancy insurance covering the Leased Property as well as other parcels of property owned by the City, provided that the cumulative amount thereof is at least equal to the cumulative amount of use and occupancy insurance required by the Lease with respect to the Leased Property and any agreements relating to Financed Property in respect of which Obligations are outstanding; in the event the City elects to obtain insurance for the Leased Property and one or more additional parcels of real property and the amount of the insurance proceeds available to pay all claims thereunder is not sufficient to cover the replacement values of all such properties, then any such proceeds will be used first to rebuild or repair the Leased Property or to repay the Bonds. Any proceeds of such insurance will be payable to and used by the Trustee as provided in the Indenture to pay principal of and interest on the Bonds for a period of time during which the payment of rental under this Lease is abated. Such insurance may be subject to a deductible clause of not to exceed fifty thousand dollars ($50,000). Such insurance may be part of a joint-purchase insurance program. The provider of such insurance will be rated at least "A-" by A.M. Best & Company. Pursuant to the Lease, use and occupancy insurance cannot be provided by self-insurance. The City participates in the joint purchase of insurance through the CSAC-EIA pool, which includes flood and earthquake coverage in limited amounts for certain scheduled locations, which include certain, but not all, components of the Leased Property. See "SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2010A BONDS — Abatement of Lease Payments" herein and APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION — Risk Management — Property Insurance." The City is not required to provide flood or earthquake insurance for the Leased Property pursuant to the Lease, and the City, and at its discretion, may elect at any time to modify the designation of covered properties in the future, in which case it is possible that none of the Leased Property will be covered, in which case, in the event of loss of use from flood or earthquake, the only source of funds to make Base Rental Payments will be money, if any, held in the Reserve Fund.

TITLE INSURANCE

The Lease provides that the City will obtain, at its own expense, on or before Closing for the Series 2010A Bonds, a California Land Title Association (CLTA) leasehold policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount equal to the principal amount represented by the Series 2010A Bonds. Such policy or policies, when issued, will name the Trustee as the insured and will insure the leasehold estate of the Authority under the Site Lease in the Leased Property, subject only to Permitted Encumbrances.

SUBSTITUTION, REMOVAL OR ADDITION OF LEASED PROPERTY

Pursuant to the Lease, the City and the Authority may amend the Lease and the Site Lease to (i) substitute real property and/or improvements (the "*Substituted Property*") for all or a portion of the existing Leased Property; (ii) remove all or a portion of real property (including undivided interests therein) or improvements ("*Removal*") from the definition of Leased Property; or (iii) to add real property and/or improvements (the "*Added Property*") to the Leased Property, upon compliance with all of the applicable conditions set forth in the Lease. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected will be released from the leasehold under the Lease and under the Site Lease. See APPENDIX D — "SUMMARY OF LEGAL DOCUMENTS — THE LEASE — Substitution, Removal or Addition of Leased Property."

EMINENT DOMAIN

If title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the City or the Authority in the Leased Property or any portion thereof is taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the City and the Authority will cause the Net Proceeds of any condemnation award to be transferred to the Trustee for deposit in the Insurance and Condemnation Fund and applied as described in the Indenture and APPENDIX D — "SUMMARY OF LEGAL DOCUMENTS — THE LEASE – Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds" herein.

INVESTMENT OF FUNDS UNDER THE INDENTURE

Money held by the Trustee under any fund or account held under the Indenture will be invested by the Trustee at the direction of the City solely in Permitted Investments, pending application as provided in the Indenture. Unless otherwise provided in a Supplemental Indenture, all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture (except the Construction Fund, Costs of Issuance Fund, Reserve Fund and Rebate Fund) will be deposited in the Revenue Fund, except that interest or gain derived from the investment of the amount in: (i) any Reserve Fund, will be retained therein to the extent required to maintain the Reserve Requirement thereof and if in excess of such Reserve Requirement, transferred to the Interest Account for the Series of Bonds secured by such Reserve Fund on a pro rata basis; and (ii) Construction Fund, Costs of Issuance Fund, any Rebate Fund, will be retained therein.

THE LEASED PROPERTY

The City will lease the Leased Property to the Authority pursuant to the Site Lease and immediately lease-back the Leased Property from the Authority pursuant to the Lease. The Series 2010A Bonds are not secured by, and the Owners have no security interest in or mortgage on, the Leased Property.

The Leased Property to be leased by the Authority to the City pursuant to the Lease includes several sites, described below, located in the City and (other than with respect to the Mission Bay Sites) the buildings and other improvements thereon owned by the City, which have been valued by the City's internal real estate appraisal staff, and, other than with respect to the Mission Bay Sites, a third-party appraisal company, at an aggregate value of approximately $205,370,000 as of February 2010.

San Diego Police Headquarters located at 1401 East Broadway, San Diego, California 92101, with an appraised value of approximately $70,576,000. The San Diego Police Headquarters includes a 7-story public office building, which is approximately 165,000 gross square feet, and parking facilities. There is an underground unleaded gasoline storage tank located on the property. See "CERTAIN RISK FACTORS — Environmental Concerns" herein.

Northwestern Division Police Station located at 12592 and 12610 El Camino Real, San Diego, California 92130, with an appraised value of approximately $24,400,000. The Northwestern Division Police Station consists of a single story concrete police substation building and a separate single story concrete vehicle maintenance building. There are underground fuel storage tanks located on the property. See "CERTAIN RISK FACTORS — Environmental Concerns" herein.

Rose Canyon Operation Center located on the 3775 Morena Boulevard, San Diego, California 92117, with an appraised value of approximately $15,587,000. The Rose Canyon Operation Center consists of eight metal and concrete permanent structures predominately constructed in the 1960's, with a total area of approximately 32,000 square feet. There are underground diesel and unleaded gasoline storage tanks located on the property. See "CERTAIN RISK FACTORS — Environmental Concerns" herein.

Dana Inn and Marina Site located at 1710 West Mission Bay Drive, San Diego, California 92109. The land has an appraised value of approximately $16,081,000. A 196 room hotel and 140 slip marina are located at the Dana Inn and Marina Site, which improvements are not owned by the City, are not part of the Leased Property and are not insured by the City. See "*The Mission Bay Sites*," below.

Islandia Hyatt Regency and Marina Site located at 1441 Quivira Road, San Diego, California 92109. The land has an appraised value of approximately $35,310,000. There are underground diesel and unleaded gasoline storage tanks located on the property. See "CERTAIN RISK FACTORS — Environmental Concerns" herein. A 429 rooms and 178 slip marina are located at the Islandia Hyatt Regency and Marina Site, which improvements are not owned by the City, are not part of the Leased Property and are not insured by the City. See "*The Mission Bay Sites*," below.

Paradise Point Resort Site located at 1404 West Vacation Road, San Diego, California 92109. The land has an appraised value of approximately $43,416,000. A 462 room hotel is located at the Paradise Point Resort Site, which improvements are not owned by the City, are not part of the Leased Property and are not insured by the City. See "*The Mission Bay Sites*," below.

Mission Bay Sites

The Dana Inn and Marina Site, Islandia Hyatt Regency and Marina Site and Paradise Point Resort Site described above (each, a "*Mission Bay Site*" and collectively, the "*Mission Bay Sites*") each consist of the City's interest in the land underlying each Mission Bay Site. The buildings and improvements on each Mission Bay Site are not owned by the City, are not part of the Leased Property and are not insured by the City. The Lease does not require the City to maintain hazard or use and occupancy insurance on property not owned by the City, and the City has confirmed that such insurance is not available for the City's interest in the Mission Bay Sites. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS — Fire and Extended Coverage Insurance" and "— Use and Occupancy Insurance" herein.

Because the City's Mission Bay Sites are limited to interest in the land underlying each Mission Bay Site and not the improvements thereon, it is difficult to determine what events, if any, would result in rental abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS — Abatement of Lease Payments" herein. Rental abatement events in connection with the Mission Bay Sites could include a flood preventing the City's use of such property for recreational purposes. Other than an environmental issue (see "CERTAIN RISK FACTORS — Environmental Concerns" herein), or a flood preventing the use of the Mission Bay Sites for the City's recreational purposes, the City cannot predict what events, if any, might occur on the Mission Bay Sites that could constitute abatement events.

The Base Rental Payments to be made by the City are obligations of the City payable from its General Fund and any other legally available funds of the City. The City has not pledged rental income it receives from tenants under any of the leases entered into or to be entered into by the City on portions of the Leased Property (including, without limitation, leases entered into by the City on the Mission Bay Sites) (the "*Existing Leases*") to pay the Base Rental Payments securing the Series 2010A Bonds.

Pursuant to the Lease, the Authority acknowledges existing encumbrances on the Leased Property, including, but not limited to, the Existing Leases and restrictions relating to the express conditions of the grant of the Mission Bay Sites to the City by the State in trust and the rights thereby reserved to the people of the State. See APPENDIX D — "SUMMARY OF LEGAL DOCUMENTS — Site Lease — Lease of the Leased Property."

THE AUTHORITY

The Authority is a joint powers authority established under an Amended and Restated Joint Exercise of Powers Agreement, dated as of January 11, 1999, by and between the City and the Redevelopment Agency of the City of San Diego, and under the provisions of Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "*Act*"). The Authority acts as a financing facilitator for City facilities and projects. The City indemnifies the directors of the Authority for any liabilities occurring in connection with the performance of their duties.

Except for the assignment of certain of its rights under the Lease to the Trustee, no property of the Authority secures the Series 2010A Bonds. The Authority has no obligation to pay principal and interest payments with respect to the Series 2010A Bonds except from Revenues and has no taxing powers.

THE CITY

The section herein entitled APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION" and APPENDIX B — "DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY" sets forth important information prepared by the City for inclusion in this Official Statement regarding its finances and operations. *Investors are advised to carefully consider the information presented below, together with other information presented in Appendix A and elsewhere in this Official Statement, to make an informed investment decision.*

CERTAIN RISK FACTORS

The following risk factors should be considered by potential investors, along with all other information in this Official Statement, in evaluating the risks inherent in the purchase of the Series 2010A Bonds. The following discussion is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Series 2010A Bonds. The order in which this information is presented does not necessarily reflect the relative importance of the various issues. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the liquidity of the Series 2010A Bonds or default by the City in paying Base Rental Payments. There can be no assurance that other risk factors not discussed herein will not become material in the future.

LIMITED OBLIGATIONS OF THE CITY

THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE, OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED, ANY FORM OF

TAXATION. THE SERIES 2010A BONDS AND THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER.

The Series 2010A Bonds are special, limited obligations of the Authority and are payable solely from Base Rental Payments made by the City pursuant to the Lease and certain funds held under the Indenture, subject to the provisions of the Indenture permitting the application of such amounts for the purposes and on the terms and conditions set forth therein. Neither the City nor any of its officers will incur any liability or any other obligation with respect to the payment of the Series 2010A Bonds other than the obligation of the City to make Base Rental Payments under the Lease.

Nothing within this Official Statement is intended to imply that there exists any cross-application or cross-collateralization, including, without limitation, any cross-defaults between the Indenture or any other indenture related to bonds issued by the City or the Authority.

ABATEMENT

Except to the extent of (i) amounts held by the Trustee under the Indenture in the Interest Account, Principal Account or Reserve Fund of the Revenue Fund, (ii) amounts received in respect of use and occupancy insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect or condemnation, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, rental payments due under the Lease with respect to the Leased Property will be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Payments, in which case rental payments will be abated only by an amount equal to the difference. In the case of abatement relating to the Leased Property, the amount of annual rental abatement will be such that the resulting Base Rental Payments in any Lease Year during which such interference continues, excluding any amounts described in clauses (i), (ii), (iii) above, do not exceed the annual fair rental value for each Lease Year of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of an Authorized Representative of the City. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of title defect or substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned, but in no event beyond 10 years after the Expiry Date of the Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS – 2010A Reserve Fund" and APPENDIX D — "SUMMARY OF LEGAL DOCUMENTS — THE LEASE – Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds" herein.

The obligation of the City under the Lease to make Base Rental Payments is in consideration for the right to use and occupy the Leased Property, and is absolute and unconditional without any right of set-off or counterclaim, except as to amounts which may be credited to such payment under the Lease, and except as such obligation may be abated as described herein.

If moneys are drawn from the 2010A Reserve Fund to make Base Rental Payments during a period of rental abatement, moneys remaining in the 2010A Reserve Fund after such payments may be less than the Reserve Requirement. The City is not required by the Lease or the Indenture, and cannot be compelled, to replenish the 2010A Reserve Fund to the Reserve Requirement.

It is not possible to predict the circumstances under which an abatement of Base Rental Payments may occur. In addition, there is no statute, judicial decision or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Lease or at the time of the abatement or may be adjusted during an event of abatement. Upon abatement, it may be that the value of the Leased Property is substantially higher or lower than its value at the time of execution and delivery of the Series 2010A Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2010A Bonds.

During any period in which material damage, destruction, title defect or condemnation of all or a portion of the Leased Property or other event results in substantial interference with the use and occupancy of the Leased Property or any portion thereof, all or a portion of the Base Rental Payments due under the Lease will be abated such that the remaining Base Rental Payments due under the Lease represent fair rental for the use of the portion of the Leased Property not affected. In the event of any such interruption of use and occupancy, the Lease will continue in full force and effect and the proceeds of use and occupancy insurance, if any, and amounts in the 2010A Reserve Fund, if any, will be used to pay Base Rental Payments that would otherwise be abated. See "SECURITY AND SOURCES OF PAYMENT — Abatement of Rental Payments" herein and APPENDIX D — "SUMMARY OF LEGAL DOCUMENTS — THE LEASE — Rental Abatement." In the event that such funds are insufficient to make all payments with respect to the Series 2010A Bonds during the period that the Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the Lease or Indenture for nonpayment under such circumstances. **Failure to pay principal, premium, if any, or interest on to the Series 2010A Bonds as a result of abatement of the City's obligation to make Rental Payments under the Lease is not an event of default under the Indenture or the Lease**. In the event that Base Rental Payments are abated due to damage caused by earthquake or flood, such abatement may continue indefinitely, as no insurance for such damages is required under the Lease and the City cannot be compelled to repair or replace the damaged Leased Property or to redeem the Bonds. See "SECURITY AND SOURCES OF PAYMENT — Abatement of Rental Payments"

Notwithstanding the provisions of the Lease and the Indenture specifying the extent of abatement of Base Rental and the application of other funds in the event of the City's failure to have use and occupancy of the Leased Property, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental Payments of the City may not be sufficient to pay all of the remaining principal and interest represented by the Series 2010A Bonds.

2010A RESERVE FUND

At the time of delivery of the Series 2010A Bonds, proceeds of the Series 2010A Bonds in the amount of the Reserve Requirement for the Series 2010A Bonds (being $6,501,540.63, which equals one-half of maximum annual debt service for the Series 2010A Bonds), will be deposited in the 2010A Reserve Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS — 2010A Reserve Fund" herein. The City is not obligated to restore amounts in the 2010A Reserve Fund if withdrawn to pay Base Rental Payments during an abatement event. See "– Abatement" herein. If the City fails to pay Base Rental Payments (for any reason other than abatement) and the 2010A Reserve Fund is used to pay interest or principal of or redemption premiums, if any, on the Series 2010A Bonds resulting from such failure and the City subsequently pays such Base Rental Payment to the Trustee, the Trustee will use such payment to restore the 2010A Reserve Fund, to the extent of the City's payments, to Reserve Requirement. In the event of abatement of, or default in, the City's payment of Base Rental Payments, the amounts on deposit in the 2010A Reserve Fund may be significantly less than the amount of interest or principal of or redemption premiums, if any, on the Series 2010A Bonds due at the time of abatement or default.

NO LIMITATION ON INCURRING ADDITIONAL OBLIGATIONS

Neither the Lease nor the Indenture contains any legal limitations on the ability of the City to enter into other obligations, without the consent of the Owners of the Series 2010A Bonds, which may constitute additional obligations payable from its General Fund. To the extent that the City incurs such additional obligations, the City's funds available to make Base Rental Payments may be decreased. The City is currently liable on other obligations payable from General Fund revenues and is currently contemplating entering into other such obligations. See APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – Bonded and Other Indebtedness."

EARTHQUAKE AND SEISMIC CONDITIONS

According to the County of San Diego Office of Emergency Services, every year approximately 500 earthquakes occur in the state of California that are large enough to be felt. San Diego County, in comparison to other southern California areas, has sparse seismicity. However, since 1984, earthquake activity in San Diego County has doubled over that of the preceding 50 years.

A major earthquake could cause widespread destruction and significant loss of life in a populated area such as the City. If an earthquake were to substantially damage or destroy taxable property within the City, a reduction in taxable values of property in the City and a reduction in revenues available to the General Fund to make Lease Payments would be likely to occur. Seismic activity may also affect the use and occupancy of the Leased Property.

There is no assurance that, in the event of a natural disaster, sufficient City reserves or Federal Emergency Management Agency assistance would be available for the repair or replacement of any Leased Property. The Lease does not require the City to repair or restore the Leased Property if damaged by earthquake or to maintain earthquake insurance coverage. The City participates in the joint purchase of insurance through the CSAC-EIA pool, which includes earthquake coverage in limited amounts for certain scheduled locations. Two components of the Leased Property are currently covered by such earthquake insurance: San Diego Police Headquarters and Northwestern Division Police Station. See "THE LEASED PROPERTY" herein and APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION — Risk Management — Property Insurance." The City is not required to provide earthquake insurance for the Leased Property pursuant to the Lease, and the City, and at its discretion, may elect at any time to modify the designation of covered properties in the future, in which case it is possible that none of the Leased Property will be covered.

The Lease provides that, in the event that rental is abated, in whole or in part, pursuant due to damage, destruction, title defect or condemnation of any part of the Leased Property and the City is unable to repair, replace or rebuild the Leased Property from the Net Proceeds, if any, of insurance or eminent domain, the City will apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

RISKS OF FLOOD

The Lease does not require the City to maintain insurance coverage insuring against loss or damage due to flood. City participates in the joint purchase of property insurance through the CSAC-EIA pool, which includes flood coverage in limited amounts for certain scheduled locations. Three components of the Leased Property are currently covered by such flood insurance: San Diego Police Headquarters, Northwestern Division Police Station, and Rose Canyon Operation Center. See "THE LEASED PROPERTY" herein and APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION — Risk Management — Property Insurance." The City is not required to provide flood insurance for the Leased Property pursuant to the Lease, and the City, and at its discretion, may elect at any time to modify the designation of covered properties in the future, in which case it is possible that none of the Leased Property will be covered.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON INCREASE OF REVENUES

Article XIII A (Limitation on Ad Valorem Tax), Article XIII B (Government Spending Limitation), Article XIII C (Voter Approval for Local Tax Levies) and Article XIII D (Assessment and Property Related Fee Reform) of the Constitution of the State of California were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time, other initiative measures may be adopted, which may affect the City's revenues and its ability to expend said revenues. The above mentioned measures and any future measures could restrict the City's ability to raise additional funds for its General Fund. See APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION — Limitations on Taxes and Appropriations."

LIMITED RECOURSE ON DEFAULT; RE-LETTING OF LEASED PROPERTY

In the event of non-payment by the City of the Lease Payments, or other default by the City under the Lease, the enforcement of any remedies provided in the Indenture and in the Lease by or on behalf of Owners of the Series 2010A Bonds could prove both expensive and time consuming. Although the Indenture and the Lease provide that if there is a default by the City under the Lease the Trustee may terminate the Lease and re-let the Leased Property, such Leased Property may not be easily re-leased and any re-letting of the Leased Property could result in lease payments that would be substantially less than the Lease Payments payable by the City under the Lease. Furthermore, due to the essential nature of the governmental function of certain of the Leased Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect to any or all of such Leased Property. The Trustee may exercise any and all remedies available pursuant to the City Charter and other applicable law or the Lease, but the Lease provides that there will be no right under any circumstances to accelerate the Lease Payments not then in default to be immediately due and payable. The Lease also provides that, notwithstanding anything to the contrary contained in the Lease, the Trustee will not re-enter or re-let the Leased Property upon an Event of Default unless the Trustee or its sublessee agrees to perform the City's obligations under any then Existing Leases, sublease, license, management contract, or other agreement substantially relating to the Leased Property. Certain of the Leased Property, such as the Mission Bay Sites, are subject to the Existing Leases, which the Trustee may not terminate; however, if there is an Event of Default under the Lease, the Trustee may seek to bring an action to collect any rents due to the City under such Existing Leases and apply those amounts to payments due on the Bonds.

ENFORCEMENT OF REMEDIES

The enforcement of any remedies provided in the Lease and the Indenture could prove both expensive and time consuming. The rights and remedies provided in the Lease and the Indenture may be limited by and are subject to the limitations on legal remedies against cities, including State constitutional limits on expenditures, and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest; by federal bankruptcy laws, as now or hereafter enacted; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect (see "Bankruptcy" below); equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against municipal corporations in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Series 2010A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The legal opinions to be delivered concurrently with the delivery of the Series 2010A Bonds (including Bond Counsel's legal opinion) will be qualified, as to the enforceability of the Series 2010A Bonds, the Indenture, the Site Lease, the Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitation on legal remedies against charter cities and counties in the State. See "CERTAIN RISK FACTORS — Bankruptcy" herein.

NO ACCELERATION ON DEFAULT

In the event of a default under the Indenture or the Lease, there is no remedy of acceleration of the Base Rental Payments. Owners of the Series 2010A Bonds would have to sue for payment of unpaid Base Rental Payments in each rental period as and when it becomes due. Any suit for money damages would be subject to the legal limitations on remedies against cities and joint exercise of powers authorities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

RISK MANAGEMENT AND INSURANCE

The Lease obligates the City to maintain and keep in force various forms of insurance, subject to deductibles, on the Leased Property for repair or replacement in the event of damage or destruction to the Leased Property caused by certain hazards. The City is also required to maintain use and occupancy insurance as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS — Use and Occupancy Insurance" above. The City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy required under the Lease and no assurance can be given as to adequacy of any such insurance to fund necessary repair or replacement or to pay principal and interest with respect to the Series 2010A Bonds.

The Lease allows the City to self-insure against any or all risks, except use and occupancy and title defects. See APPENDIX D "SUMMARY OF LEGAL DOCUMENTS — THE LEASE — INSURANCE."

ENVIRONMENTAL CONCERNS

Owners or operators of real property may be required by law to remedy conditions of a property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response Compensation and Liability Act of 1980 or the "*Superfund Act*" is the most widely applicable of these laws, but California laws with regard to hazardous substances are also stringent. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition on the property whether or not the owner or operator created the hazardous substance condition.

Certain of the Leased Property sites contain underground storage tanks for the storage of unleaded gasoline, diesel fuel, motor oils and related materials. See "THE LEASED PROPERTY" herein. The fuels used on such sites and any compressed gas storage are inherently hazardous and subject to risks, including risks of fire, explosion, leaks and spills. The City uses such sites pursuant to environmental permits issued by the various local, State and federal authorities and is in compliance with all permits, laws and regulations governing its use of such sites. The County of San Diego Department of Environmental Health operates and maintains the underground storage tanks on the Mission Bay Sites and is responsible that such tanks comply with all applicable codes and regulations (water and air regulations, Health & Safety Code, Fire Code, etc) governing operation and maintenance. The City's Fleet Services operates, maintains and ensures the underground storage tanks on the Leased Property other than the Mission Bay Sites comply with all applicable codes and regulations (water and air regulations, Health & Safety Code, Fire Code, etc) governing operation and maintenance. Despite such measures, however, it is possible that loss or damage to the Leased Property or adjacent property, or injury to persons on or near the sites, could result from the City's use of these sites.

CHANGE IN LAW

No assurance may be given that the State or the City electorate will not at some future time adopt initiatives or Charter amendments or that the State Legislative or the City Council will not enact legislation that will amend the laws of the State Constitution or the City's municipal code, respectively, in a manner that could result in a reduction of the City's General Fund revenues and therefore a reduction of the funds legally available to the City to make Base Rental Payments. See, for example, APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION — LIMITS ON TAXES AND APPROPRIATIONS — Articles XIII C and XIII D (Proposition 218) of the California Constitution."

Bankruptcy

In addition to the limitations on remedies contained in the Indenture and the Lease, the rights and remedies in the Indenture and the Lease may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the City, there are no involuntary petitions in bankruptcy. Under the United States Bankruptcy Code, a bankruptcy case may be filed by the Authority or by the City. In general, the filing of any such bankruptcy petition operates as a stay against enforcement of the terms of the agreements to which the bankrupt entity is a party, and in the bankruptcy process, executory contracts such as the Indenture or the Lease may be subject to the assumption or rejection by the bankrupt party. In the event of any such rejection, the non-rejecting party or its assigns may become an unsecured claimant of the rejecting party.

State of California Financial Distress

As described herein in Appendix A under "State Budget," the State is facing significant financial stress, which may result in future reductions or deferrals in amounts payable to the City. The State's financial condition and budget policies affect communities and local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. See APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION — State Budget."

Impact of Current Fiscal Crisis on the City

Since 2008, the United States financial markets have been experiencing extreme volatility precipitated by major economic disruptions, including a severe economic recession and significant credit and liquidity problems. The City cannot predict the extent to which the fiscal problems will continue to be encountered in this and in any future Fiscal Years, and, it is not clear what additional measures, if any, will be taken by the State or Federal government to address the continuing fiscal crisis. Accordingly, the City cannot predict the final outcome of future State or Federal actions or the impact that such actions will have on the City's finances and operations. See APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION."

Other

There may be other risk factors inherent in ownership of the Series 2010A Bonds in addition to those described in this section.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Certificate of the City (the "*Disclosure Certificate*"), the City has agreed to provide, or cause to be provided, annually certain information and notice of certain Listed Events (as described in the Continuing Disclosure Certificate) to the Municipal Securities Rulemaking Board in the manner prescribed by the Securities Exchange Commission. (the "SEC") The form of the Disclosure Certificate is attached hereto as APPENDIX G. The City's covenants in the Continuing Disclosure Certificate have been made in order to assist the Underwriters in complying with the Rule. A failure by the City to comply with any of the covenants therein is not an event of default under the Indenture or the Lease.

Beginning in March 2004, the City failed to comply with continuing disclosure undertakings related to 21 bond issues for each of fiscal years 2003 through 2007 due to the unavailability of the City's audited financial statements. The circumstances regarding the unavailability of the City's audited financial statements are described under the caption entitled "INTRODUCTION — 2006 SEC Order and Related Actions." Each required annual report and audited financial statement was subsequently filed. Prior to March 2004, the City had never failed to comply with its undertakings under the Rule.

The City has timely filed the annual reports and financial statements for Fiscal Year 2008 with respect to securities secured by the City's General Fund, the Sewer Revenue Fund and the Water Utility Fund. The City Council filed the Fiscal Year 2009 audited financial statements on February 1, 2010, and corresponding continuing disclosure filings were prepared and filed in a timely manner.

FINANCIAL STATEMENTS FOR FISCAL YEAR 2009

Included herein in APPENDIX C is the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009, which includes the City's audited basic financial statements as of and for the year ended June 30, 2009. The City's basic financial statements as of June 30, 2009 and for the year then ended, included in APPENDIX C, have been audited by Macias Gini & O'Connell LLP as stated in its report appearing in APPENDIX C.

Macias Gini & O'Connell LLP as the independent auditors did not review this Official Statement. The City did not request the consent of the independent auditors to append the City's financial statements to this Official Statement. Accordingly, the independent auditors did not perform any procedures relating to any of the information in this Official Statement.

TAX MATTERS

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel to the City ("*Bond Counsel*"), under existing law: (i) interest on the Series 2010A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "*Code*"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Series 2010A Bonds is exempt from State of California personal income taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX E. Bond Counsel will express no opinion as to any other tax consequences regarding the Series 2010A Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the City and the Authority contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2010A Bonds are and will remain obligations the interest on which is excluded from gross income for the City's and the Authority's federal income tax purposes. Bond Counsel will not independently verify the accuracy of the City's and the Authority's certifications and representations or the continuing compliance with the City's and the Authority's covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Series 2010A Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("*IRS*") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the City and the Authority may cause loss of such status and result in the interest on the Series 2010A Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2010A Bonds. The Authority and, subject to certain limitations, the City have each covenanted to take the actions required of it for the interest on the Series 2010A Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Series 2010A Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2010A Bonds or the market value of the Series 2010A Bonds.

A portion of the interest on the Series 2010A Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Series 2010A Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2010A Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2010A Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2010A Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed the outcome of which could modify the tax treatment of obligations such as the Series 2010A Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2010A Bonds will not have an adverse effect on the tax status of interest on the Series 2010A Bonds or the market value of the Series 2010A Bonds.

Prospective purchasers of the Series 2010A Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Series 2010A Bonds at other than their original issuance at the respective prices indicated on the inside cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Series 2010A Bonds ends with the issuance of the Series 2010A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City, the Authority or the owners of the Series 2010A Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2010A Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer and the beneficial owners of the Series 2010A Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2010A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series 2010A Bonds.

Original Issue Discount and Original Issue Premium

Certain of the Series 2010A Bonds ("*Discount Bonds*") as indicated on the inside cover of this Official Statement were offered and sold to the public at an original issue discount ("*OID*"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2010A Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Series 2010A Bonds ("*Premium Bonds*") as indicated on the inside cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

OWNERS OF DISCOUNT AND PREMIUM BONDS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE DETERMINATION FOR FEDERAL INCOME TAX PURPOSES OF THE AMOUNT OF OID OR BOND PREMIUM PROPERLY ACCRUABLE OR AMORTIZABLE IN ANY PERIOD WITH RESPECT TO THE DISCOUNT OR PREMIUM BONDS AND AS TO OTHER FEDERAL TAX CONSEQUENCES AND THE TREATMENT OF OID AND BOND PREMIUM FOR PURPOSES OF STATE AND LOCAL TAXES ON, OR BASED ON, INCOME.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Series 2010A Bonds and with regard to the tax-exempt status of the interest on the Series 2010A Bonds (see "TAX MATTERS" herein) are subject to the legal opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel to the City. The signed legal opinion of Bond Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Series 2010A Bonds, will be delivered to the initial purchasers of the Series 2010A Bonds at the time of original delivery of the Series 2010A Bonds.

The proposed form of the legal opinion of Bond Counsel is set forth in Appendix E hereto. The legal opinion to be delivered may vary that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distributions of it by recirculation of this Official Statement or otherwise will create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date. In rendering its opinion, Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings for the Series 2010A Bonds, which Bond Counsel will not have independently verified.

Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed on for the City and the Authority by Squire, Sanders & Dempsey L.L.P., Disclosure Counsel, and by Jan I. Goldsmith, Esq. City Attorney. Certain legal matters will be passed upon for the Underwriters by Nixon Peabody LLP. Bond Counsel, Disclosure Counsel and Underwriters' Counsel will receive compensation contingent upon the sale and delivery of the Series 2010A Bonds.

Squire, Sanders & Dempsey L.L.P. has served as Disclosure Counsel to the City and in such capacity has advised the City with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement or omitted therefrom and has not undertaken to independently verify any of such statements or information. Rather, the City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon the delivery of the Series 2010A Bonds, Disclosure Counsel will deliver a letter to the City which advises the City, subject to the assumptions, exclusions, qualifications and limitations set forth therein, that no facts came to attention of the attorneys at such firm rendering legal services in connection with such firm's role as Disclosure Counsel which caused them to believe that this Official Statement as of its date and as of the date of delivery of the Series 2010A Bonds contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. No purchaser or holder of the Series 2010A Bonds, or other person or party other than the City, will be entitled to or may rely on such letter or Squire, Sanders & Dempsey L.L.P. having acted in the role of Disclosure Counsel to the City.

LITIGATION

There is no controversy of any nature now pending against the City or the Authority or, to the knowledge of their respective responsible officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2010A Bonds or in any way contesting or affecting the validity of the Series 2010A Bonds or any proceedings of the City or the Authority taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Series 2010A Bonds or the use of the Bond proceeds.

There are no pending lawsuits which in the opinion of the City Attorney challenge the validity of the Series 2010A Bonds, the corporate existence of the City or the Authority, or the title of the officers thereof to their respective offices. See APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION — Litigation Potentially Adversely Affecting the General Fund and Other Operating Funds of the City."

RATINGS

Fitch Ratings ("*Fitch*"), Moody's Investors Service, Inc. ("*Moody's*"), and Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("*S&P*") have assigned the ratings of "A+," "A2," and "A-," respectively, to the Series 2010A Bonds. The ratings provided by each of the rating agencies reflect only the views of such organizations and an explanation of the significance of such ratings may only be obtained from the respective agencies at the following website addresses: Fitch, at www.fitchratings.com; Moody's, at www.moodys.com; and S&P, at www.sandp.com. No information from such websites is incorporated by reference herein.

The City furnished to the rating agencies certain information, including information not included herein. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. The City undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of the ratings obtained or other actions by a rating agency relating to its rating may have an adverse effect on the market price and marketability of the Series 2010A Bonds.

The City expects to furnish to each rating agency such information and materials as it may request. The City, however, assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. The failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Series 2010A Bonds. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price and marketability of such Series 2010A Bonds.

UNDERWRITING

Pursuant to the terms and conditions of the Bond Purchase Agreement for the Series 2010A Bonds (the "*Bond Purchase Agreement*") among the City, the Authority and J.P. Morgan Securities Inc., as representative of itself, E.J. De La Rosa & Co., Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Stone & Youngberg LLC, and Fidelity Capital Markets (the "*Underwriters*"), the Underwriters have agreed to purchase the Series 2010A Bonds from the City and the Authority at an aggregate purchase price of $168,678,706.67 (consisting of the par amount of the Series 2010A Bonds, plus $1,922,749.75 net original issue premium and less underwriters' discount of $879,043.08).

The Bond Purchase Agreement provides, among other things, that the obligations of the Underwriters are subject to certain terms, conditions and precedents, and that the Underwriters will be obligated to purchase all of the Series 2010A Bonds offered under the Bond Purchase Agreement, if any of the Series 2010A Bonds offered thereunder are purchased.

The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2010A Bonds to the public. The Underwriters may offer and sell the Series 2010A Bonds to certain dealers (including dealers depositing Series 2010A Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers. After the initial public offering, the public offering prices of the Series 2010A Bonds may be changed from time to time by the Underwriters.

J.P.Morgan Securities Inc. ("*JPMSI*"), one of the Underwriters of the Series 2010A Bonds, has entered into negotiated dealer agreements (each, a "*Dealer Agreement*") with each of UBS Financial Services Inc. ("*UBSFS*") and Charles Schwab & Co., Inc. ("*CS&Co.*") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS& Co. will purchase Series 2010A Bonds from JPMSI at the original issue price less a negotiated portion of the selling concession applicable to any Series 2010A Bonds that such firm sells.

Fidelity Capital Markets ("*FCM*"), one of the Underwriters of the Series 2010A Bonds, is a division of National Financial Services LLC ("*NFS*"), which provides fully-disclosed clearing and other services to correspondent broker-dealers (the "*correspondent broker-dealers*"). NFS has entered into Master Reallowance Agreements with several of the correspondent broker-dealers to allow them to redistribute municipal securities underwritten by NFS to their retail investors at the original offering price. Pursuant to these Master Reallowance Agreements, NFS may share a portion of the underwriting compensation with respect to this bond offering with its correspondent broker-dealers.

E. J. De La Rosa & Co., Inc., one of the Underwriters of the Series 2010A Bonds, has entered into separate agreements with UnionBanc Investment Services LLC and City National Securities, Inc. for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Series 2010A Bonds, E. J. De La

Rosa & Co., Inc. will share a portion of its underwriting compensation with respect to the Series 2010A Bonds with UnionBanc Investment Services LLC or City National Securities, Inc.

FINANCIAL ADVISOR

Montague DeRose and Associates, LLC, Westlake Village, California, has acted as Financial Advisor to the City in conjunction with the issuance of the Series 2010A Bonds. The Financial Advisor has assisted the City in preparation of this Official Statement and in other matters related to the planning, structuring, execution and delivery of the Series 2010A Bonds. The Financial Advisor will receive compensation contingent upon the sale and delivery of the Series 2010A Bonds.

The Financial Advisor has not audited, authenticated or otherwise independently verified the information set forth in the Official Statement, or any other information related to the City with respect to the accuracy or completeness of disclosure of such information. Because of this limited participation, the Financial Advisor makes no guaranty, warranty or other representation respecting the accuracy or completeness of this Official Statement or any other matter related to this Official Statement.

MISCELLANEOUS

This Official Statement has been duly executed and delivered by the Authority and has been duly approved, executed and delivered by the City.

There are appended to this Official Statement a summary of certain provisions of the principal legal documents, the City's Fiscal Year 2009 CAFR, the proposed form of opinion of Bond Counsel, a general description of the City and a description of DTC's Book-Entry Only System. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or Owners of any of the Series 2010A Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the financial condition, results of operations or any other affairs of the City or the Authority since the date hereof.

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

By: /s/ John Chalker
Vice Chair

THE CITY OF SAN DIEGO

By: /s/ Mary Lewis
Chief Financial Officer

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APPENDIX A

CITY GOVERNMENT AND FINANCIAL INFORMATION

NOTE: This Appendix A to the Official Statement of the City of San Diego (the "City") covers general information about the City's governance structure, budget processes, property taxation system and other tax and revenue sources, City expenditures, including labor relations, employment benefits and retirement costs, and investments, bonds and other long-term obligations. The information and data within this Appendix A is the latest data available to the City; however, the current state of the economy at City, State and national levels may not be reflected in the data discussed below because more up-to-date publicly available information is not available. This information is provided as general background. As explained under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS" in the front part of this Official Statement, the Series 2010A Bonds are payable solely from the Base Rental Payments to be made by the City under the Lease and certain other money held under the Indenture.

Changes to Preliminary Official Statement

Various changes were made in the sections identified below to reflect additional information since May 7, 2010, the date of the Preliminary Official Statement. The changes, in addition to those resulting from the pricing of the Series 2010A Bonds, are principally the result of the release of the following budget documents after the date of the Preliminary Official Statement: (1) on May 14, 2010, the May Revision to Revised 2011 Proposed General Fund Budget, (2) on May 14, 2010, the May Revision to the 2011 State Budget, and (3) on May 20, 2010, the Fiscal Year 2010 Year-End Budget Monitoring Report.

A-7: "Development of the Revised Fiscal Year 2011 Proposed Budget" (third paragraph)

A-13: "TABLE A-3-2 — CITY OF SAN DIEGO OPERATING BUDGET SUMMARY—*Revised Proposed Budget (May 14, 2010)*"

A-17 through A-18: "Fiscal Year 2010 Year-End Budget Monitoring Report"

A-19 through A-20: "Fiscal Year 2011 Proposed General Fund Budget and Revised Fiscal Year 2011 Proposed Budget" (third paragraph)

A-34 through A-37: "State Budget" (eleventh through thirteenth paragraphs)

A-56 through A-57: "Litigation and Regulatory Actions" (fifth paragraph)

Profile of the City of San Diego

The City of San Diego (the "City") was incorporated in 1850. The City is comprised of 342 square miles and, as of January 1, 2010, the California Department of Finance estimates the population to be 1,376,173. The City, with approximately 10,000 current budgeted employees, provides a full range of governmental services which include 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 General Fund is the principal operating fund of the City. Departments within the General Fund provide core community services, such as public safety (including police and fire protection), parks and recreation, library services, and refuse collection, as well as vital support functions such as finance, legal and human resources. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees. The City's total Fiscal Year 2010 Original Adopted Budget as of July 1, 2009 was $2.95 billion. This included $1.13 billion for General Fund operations (described in greater detail herein) and $1.34 billion for operations of the City's Enterprise Funds and other fund activities. Another $478.4 million was budgeted for capital improvement projects across the City. On December 9, 2009 the City's Fiscal Year 2010 Original Adopted Budget was amended (as amended, the "Fiscal Year 2010 Revised Adopted Budget") to reflect increases in revenues and decreases in expenditures resulting in a net savings of $26.3 million, of which $24.6 million was attributable to the General Fund operations. The Fiscal Year 2010 Revised Adopted Budget was adopted in response to the Fiscal Year 2011-2015 Five-Year Financial Outlook ("Fiscal Year 2011-15 Five-Year Financial Outlook") released October 1, 2009 by the City, which projected a Fiscal Year 2011 General Fund deficit of $179.1 million. On December 9, 2009, the City Council also adopted the Fiscal Year 2011 Proposed General Fund Budget ("the Fiscal Year 2011 Proposed General Fund Budget") in an attempt to mitigate the projected budget deficit through a variety of both one-time and on-going adjustments. The Fiscal Year 2011 Proposed General Fund Budget reflected revenues and expenditures of $1.11 billion. On April 15, 2010, the Mayor presented the Revised Fiscal Year 2011 Proposed Budget (the "Revised Fiscal Year 2011 Proposed Budget") for City Council's consideration. The Mayor's Revised Fiscal Year 2011 Proposed Budget reflects expenditures of $2.85 billion. This includes $1.09 billion for General Fund operations (the "Revised Fiscal Year 2011 Proposed General Fund Budget") and $1.42 billion for operations of the City's Enterprise Funds and other fund activities. Another $332.2 million is budgeted for capital improvement projects across the City. The Revised Fiscal Year 2011-2015 Five-Year Financial Outlook (the "Revised Fiscal Year 2011-2015 Five-Year Financial Outlook"), dated April 19, 2010, incorporated the results of the Revised Fiscal Year 2011 Proposed Budget, which updated the projections of revenues and expenditures in the General Fund for Fiscal Years 2011-2015.

In order to repay the Series 2010A Bonds, the City has agreed to make Base Rental Payments from moneys on deposit in the General Fund and other available money. See

"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS — Base Rental Payments; Additional Payments" in the front part of this Official Statement.

Governing Structure

The City operates under and is governed by the laws of the State of California and the City Charter, as periodically amended since its adoption by the electorate in 1931. The City is currently operating under a "Strong Mayor" form of government. The departure from the City's previous Council-Manager form of government was approved by a vote of the public and became effective January 1, 2006. The Mayor is elected at large to serve a four-year term.

The Charter amendment adopting the Strong Mayor form of government is in effect for five years, and pending a voter approved extension or modification, sunsets on December 31, 2010. 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, Ethics Commission, City Attorney and City Auditor's departments. Under this form of government, the City Council is composed of eight members and is presided over in open meetings by the City 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 City Council. The City 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 of and attorney for the City and all departments.

During the County's primary election held on June 3, 2008, voters approved Proposition B, which requires the City Council to place a measure on the June 2010 ballot to allow voters to decide whether the Strong Mayor form of government should become permanent effective January 1, 2011. The City Council has placed such a measure on the June 2010 ballot. Proposition B also provides for the public to decide whether the number of City Council districts should increase from eight to nine, and therefore, a corresponding increase of City Council votes required to override the Mayor's veto from five to six. Additionally, on November 4, 2008, voters approved Proposition C which converted the office of the City Auditor-Comptroller into a separate City Auditor's Office (reporting to the Audit Committee described below) and Comptroller's Office (reporting to the Mayor) and made the Office of the Independent Budget Analyst permanent. Under Proposition C, the City Auditor serves a 10 year term and is supervised by an Audit Committee consisting of two City Council members and three members of the public, with auditing expertise, who are appointed by the City Council. As of January 2009, the Audit Committee has been fully constituted. Proposition C also provides that the Mayor will appoint, with City Council confirmation, the Chief Financial Officer of the City. In addition, the Mayor's appointment of the City Treasurer no longer requires City Council confirmation.

Accounting Practices

The City's accounting policies conform to generally accepted accounting principles applicable to governmental entities. The City's Governmental Funds, including the General Fund, use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when both available and measurable. Certain fines and forfeitures, however, are recorded when received, as they are not susceptible to accrual. Expenditures are recognized when the related liability is incurred except for (1) principal of and interest on general long-term debt, which are recognized when due, and (2) employee annual leave and claims and judgments for litigation and self-insurance which are recorded in the period due and payable. Proprietary and Pension Trust Funds use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred. Agency Funds described in the City's Comprehensive Annual Financial Report ("CAFR") also use the accrual basis of accounting to recognize receivables and payables.

The City prepares financial statements annually in conformity with generally accepted accounting principles for governmental entities, which are audited by an independent certified public accountant. See the section of the Official Statement entitled "INTRODUCTION— 2006 SEC Order and Related Matters." The City's most recent financial statements for the Fiscal Year ended June 30, 2009, were audited by Macias Gini & O'Connell LLP, CPAs. (For ease of reference, references in this APPENDIX A to any particular Fiscal Year (e.g., Fiscal Year 2010) shall mean the Fiscal Year ending June 30 of the referenced year.)

The City is implementing and updating an internal controls over financial reporting ("ICOFR") process pursuant to recommendations from the Independent Consultant. See "INTRODUCTION — 2006 SEC Order and Related Matters" in the front part of this Official Statement. The City has begun implementing a two year plan to improve internal controls over financial reporting. It has identified approximately 350 separate process narratives to be written and expects to complete the documentation in Fiscal Year 2011. Controls testing will be implemented in stages in Fiscal Year 2011 and Fiscal Year 2012. The City plans to engage in an independent external review of its internal controls structure and its effectiveness no later than Fiscal Year 2012.

Budgetary Process

Pursuant to the City Charter, an annual budget for the ensuing Fiscal Year is presented by the Mayor to the City Council by April 15th of each year for consideration. Set forth in this budget are the anticipated revenues and expenditures of the General Fund, certain special revenue funds, enterprise funds, and certain debt service funds for the ensuing Fiscal Year. Additionally, project-length financial plans are presented to and adopted by the City Council for the capital projects funds. 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 reserve for advances and deposits to other funds and agencies are considered as additions/deductions of expenditures. The City budget is prepared excluding unrealized gains or losses resulting from the change in fair value of investments, proceeds from capital leases and net income from joint ventures. All amendments to the adopted budget require City Council approval except as delegated in the annual Appropriation Ordinance (the "Appropriation Ordinance"). In addition, salaries cannot be used for any other purposes in accordance with the City Charter.

As required by the City Charter, the City Council adopts the annual budget in June of each Fiscal Year. The Appropriation Ordinance that enacts the budget into law is presented to the Budget and Finance Committee of the City Council for review. Thereafter, it is presented to the City Council for review and adoption in July following two noticed public hearings as required by the City Charter.

The City's Financial Management Department and Comptroller's Office monitor fund balances, as well as revenue and expenditure projections, throughout the Fiscal Year. Variations from budget are generally addressed in a number of ways, including expenditure reductions. If revenues decline and/or expenditures increase, various alternatives are expected to be reviewed, including alternative funding sources, budget reductions or reallocations of funds between departments to support the ongoing activities of the City. If the City is not able to use other alternatives to offset the deficit, contingency plans that utilize the City's reserves (subject to City Council approval) may be implemented to maintain the funding levels which the City believes are necessary for department operations in accordance with the City's Reserve Policy.

Fiscal Year 2010 Budget Development

The City's budget is developed by the Mayor in conjunction with City departments, with public input, and a proposed budget is delivered by the Mayor to the City Council for approval on or before April 15th of each year. The incremental budget process considers the fiscal and policy goals for the upcoming Fiscal Year, while following a timeline for budget publication codified within the City Charter.

The Fiscal Year 2010 budget development process began with the development of the Five-Year Financial Outlook for Fiscal Years 2010-2014, dated November 2008 ("Fiscal Year 2010-14 Five-Year Financial Outlook"). The Fiscal Year 2010-14 Five-Year Financial Outlook served as the framework for the development of the Fiscal Year 2010 Original Adopted Budget (the "Fiscal Year 2010 Original Adopted Budget") by incorporating economic assumptions and expenditure requirements into the budget. The Mayor released the Fiscal Year 2010 Proposed Budget on April 13, 2009. According to standard practice, the Mayor presented a May Revision to the Fiscal Year 2010 Proposed Budget on May 18, 2009 that updated revenue and expenditure projections for Fiscal Year 2010 and these changes were incorporated into the Fiscal Year 2010 Original Adopted Budget adopted by the City Council in June 2009.

The City Council approved the Fiscal Year 2010 Original Adopted Budget on June 8, 2009 and the Mayor approved the budget on June 17, 2009 without exercising his line item veto. The Appropriation Ordinance that enacted the Fiscal Year 2010 budget into law was adopted by the City Council on July 27, 2009, as required by the City Charter.

Development of the Fiscal Year 2010 Revised Adopted Budget and Fiscal Year 2011 Proposed General Fund Budget

On October 1, 2009, the City released the Fiscal Year 2011-15 Five-Year Financial Outlook, which identified current and future revenue and expenditure trends and projected deficits for the next five years, primarily as a result of declining revenues, slow economic recovery and increased annual payments for the City's annual pension contribution. The Fiscal Year 2011-15 Five-Year Financial Outlook projected a General Fund revenue shortfall of $179.1 million in Fiscal Year 2011.

On November 24, 2009, the Mayor presented the Fiscal Year 2010 Budget Amendment Report and Fiscal Year 2011 Proposed General Fund Budget followed by an addendum released on December 4, 2009, which together recommended an increase in revenues and decrease in expenditures resulting in a net savings of $24.6 million to the General Fund and resulted in the net elimination of 452 General Fund full time equivalent ("FTE") positions in Fiscal Year 2010. The Fiscal Year 2011 Proposed General Fund Budget incorporated the adjustments from the Fiscal Year 2010 Revised Adopted Budget, and included additional adjustments for implementation in Fiscal Year 2011. This resulted in an additional net reduction of 34 FTE General Fund positions in Fiscal Year 2011 in order to mitigate the projected Fiscal Year 2011 deficit of $179.1 million identified in the Fiscal Year 2011-15 Five-Year Financial Outlook. On December 4, 2009 the Office of the Independent Budget Analyst issued a report supporting the Fiscal Year 2011 Proposed General Fund Budget.

A group of citizens issued a report on the Fiscal Outlook of the City of San Diego on December 11, 2009 (the "Citizen's Task Force Report"), which outlined a course of action to address the projected shortfalls in the City's revenues disclosed in the Fiscal Year 2011-15 Five-Year Financial Outlook and was critical of one-time measures to address chronic revenue-expenditure imbalances.

On December 9, 2009, the City Council adopted the Fiscal Year 2010 Revised Adopted Budget and made minor modifications to the Mayor's Fiscal Year 2011 Proposed General Fund Budget, which the City Council then also adopted. The Fiscal Year 2011 Proposed General Fund Budget was revised and incorporated into the City's Revised Fiscal Year 2011 Proposed Budget presented on April 15, 2010 (see "Development of the Revised Fiscal Year 2011 Proposed Budget" below). The Mayor signed the City Council resolution to amend the Fiscal Year 2010 Original Adopted Budget on December 10, 2009 without exercising his line item veto and also signed the resolution to adopt the Fiscal Year 2011 General Fund Budget. An amendment to the Fiscal Year 2010 Appropriation Ordinance that enacted the amendment to the Fiscal Year 2010 budget into law was adopted by the City Council on December 14, 2009.

Subsequent to the City Council adopting the Fiscal Year 2011 Proposed General Fund Budget, the June 30, 2009 Annual Actuarial Valuation of SDCERS, dated as of January 8, 2010, was released, which included an Annual Required Contribution ("ARC") approximately $19.0 million higher citywide or $9.8 million higher for the General Fund than the ARC projected in the Fiscal Year 2011 Proposed General Fund Budget adopted by City Council in December 2009. (See "LABOR RELATIONS; SDCERS; OTHER POSTEMPLOYMENT BENEFITS — *San Diego City Employees' Retirement System*" herein.) In addition, realized revenue in Fiscal Year 2010, primarily sales tax, tourism tax and departmental revenues across the City were lower than expected in the first six months of Fiscal Year 2010, creating a lower baseline for revenue projections in Fiscal Year 2011. As a result, a new budget gap of approximately $28 million was identified for Fiscal Year 2011. As a result, the Mayor presented a newly balanced Fiscal Year 2011 budget (the "Revised Fiscal Year 2011 Proposed Budget") on April 15 for City Council's consideration. Additionally, as in prior years, any necessary amendments to the Revised Fiscal Year 2011 Proposed Budget will be presented to the City Council in advance of the scheduled budget approval date for the Fiscal Year 2011 Budget, which is presently scheduled for June 14, 2010.

Development of the Revised Fiscal Year 2011 Proposed Budget

On April 15, 2010, the Mayor presented the Revised Fiscal Year 2011 Proposed Budget for City Council's consideration. The Revised Fiscal Year 2011 Proposed General Fund Budget mitigates the approximate $28 million additional budget shortfall identified for Fiscal Year 2011, which amount is in excess of the $179.1 million deficit originally forecasted in the Fiscal Year 2011-2015 Five-Year Financial Outlook. (See "Fiscal Year 2011 Proposed General Fund Budget and Revised Fiscal Year 2011 Proposed Budget" herein). The Revised Fiscal Year 2011 Proposed General Fund Budget reflects revenues and expenditures of $1.09 billion, a decrease of $37.4 million or a 3.3% decline from the Fiscal Year 2010 Original Adopted Budget for the General Fund. The Revised Fiscal Year 2011 Proposed General Fund Budget also includes 7,060 FTE positions, which is a decrease of 336 FTE positions from the General Fund Fiscal Year 2010 Original Adopted Budget. The Revised Fiscal Year 2011-2015 Five Year Financial Outlook incorporated the results of the Revised Fiscal Year 2011 Proposed Budget.

The Revised Fiscal Year 2011-2015 Five-Year Financial Outlook reflects revenue adjustments mainly from property tax, sales tax and transient occupancy tax based on recent economic updates, actual receipts and revised projections for Fiscal Years 2011 to 2015. These major revenue sources are expected to improve, but still lag the overall economic recovery.

In accordance with standard practice, the Mayor released the May Revision to the Revised Fiscal Year 2011 Proposed General Fund Budget on May 14, 2010 (the "Revised Fiscal Year 2011 Proposed General Fund Budget (May Revision)") that updated revenue and expenditure projections for Fiscal Year 2011 and included necessary amendments to the Revised Fiscal Year 2011 Proposed General Fund Budget. The Revised Fiscal Year 2011 Proposed General Fund Budget (May Revision) included revisions to the Revised Fiscal Year 2011 Proposed General Fund Budget, resulting in a $3.3 million increase to the General Fund Budget.

The May Revision includes budget adjustments to various departments that have arisen since the Fiscal Year 2011 Proposed Budget was released and corrects certain omissions or errors in the Proposed Budget. The budget adjustments to revenues and expenditures in the May Revision maintain a balanced budget.

The Revised Fiscal Year 2011-2015 Five Year Financial Outlook incorporated the results of the Revised Fiscal Year 2011 Proposed Budget. Ongoing expenditure reductions that were included in the Revised Fiscal Year 2011 Proposed Budget were carried forward in the expenditure projections for Fiscal Years 2012-2015 in the Revised Fiscal Year 2011-2015 Five Year Financial Outlook. As a result, and in combination with modest revenue growth, the deficits for Fiscal Years 2012-2015 are projected to be less than were projected in the Fiscal Year 2011-2015 Five-Year Financial Outlook released in October 2009. The Revised Fiscal Year 2011-2015 Five Year Financial Outlook projects significantly reduced deficits for Fiscal Years 2012-2015 and no deficit for Fiscal Year 2011. The Revised Fiscal Year 2011-2015 Five-Year Financial Outlook reflects projected deficits of $72.5 million, $68.4 million, $69.9 million and $48.1 million, respectively, for Fiscal Years 2012-2015. Pursuant to the City Charter, a balanced budget must be submitted to the City Council by April 15th and adopted in June.

Five Year Summary of Financial Results

Tables A-1 and A-2 present the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance of the City's General Fund for Fiscal Years ended 2005 through 2009 in the format presented in the City's CAFR for the respective Fiscal Years.

TABLE A-1
CITY OF SAN DIEGO
BALANCE SHEET FOR THE GENERAL FUND
Fiscal Years 2005 through 2009
(in thousands)
(audited)

	2005	**2006**	**2007**	**2008**	**2009**
ASSETS					
Cash or Equity in Pooled Cash & Investments[1]	$32,966	$23,281	$97,347	$91,439	$86,667
Receivables:					
Taxes – Net	65,056	68,568	73,296	76,527	69,438
Accounts – Net	14,823	11,239	11,103	11,195	13,891
Claims – Net	31	38	88	78	130
Accrued Interest	891	1,434	3,466	2,395	906
From Other Funds [2]	16,275	6,060	1,475	1,600	1,500
Investment in Joint Venture	1,542	2,063	2,097	1,981	1,824
Advances to Other Funds	300	300	300	--	--
Advances to Other Agencies	--	9	9	9	--
Prepaid Items [3]	778	220	81	82	886
Cash and Investments for TRANS Repayment[4]	--	--	142,000	116,383	--
Total Assets	**$132,662**	**$113,212**	**$331,262**	**$301,689**	**$175,242**
LIABILITIES					
Accounts Payable [3][5]	5,054	5,642	9,112	8,005	3,789
Accrued Wages and Benefits	40,960	22,332	23,881	22,265	27,642
Due to Other Funds [5]	--	--	--	2,479	2,095
Unearned Revenue	1,151	1,032	903	784	663
Deferred Revenue	23,464	21,580	23,318	27,375	26,661
Advances from Other Funds	985	985	--	--	--
Contracts and Notes Payable[4]	--	--	142,000	116,000	--
Total Liabilities	**71,614**	**51,571**	**199,214**	**176,908**	**60,850**
FUND EQUITY					
Reserves:					
Reserved for Encumbrances [6]	15,659	18,916	33,452	43,853	32,071
Reserved for Advances & Deposits	300	309	309	9	--
Reserved for Investment in Joint	1,542	2,063	2,097	1,981	1,824
Unreserved:					
Designated for Unrealized Gains [7]	--	--	--	2,737	1,943
Designated for Subsequent Years' Expenditures	1,954	469	1,159	862	207
Undesignated	41,593	39,884	95,031	75,339	78,347
Total Fund Equity	**61,048**	**61,641**	**132,048**	**124,781**	**114,392**
Total Liabilities & Fund Equity	**$132,662**	**$113,212**	**$331,262**	**$301,689**	**$175,242**

(1) Continued expenditure savings due to vacancies and management imposed reductions in discretionary spending have resulted in the City maintaining a relatively stable cash position in the General Fund.

(2) Advances from the General Fund to Grant Funds to cover negative year end balances decreased in Fiscal Year 2007 due to improvements in the timing of grant invoicing.

(3) Fiscal Year 2009 year end Prepaid Items increased and Accounts Payable decreased due to prepayment of July rents and an early close of the Accounts Payable System to facilitate the transition to a new accounting system on July 1, 2009.

(4) Fiscal Year 2005, 2006 and 2009 TRANs were issued and repaid within the same Fiscal Year, while Fiscal Year 2007 and 2008 TRANs were 13 month notes.

(5) In Fiscal Year 2008, Accounts Payable decreased while Due to Other Funds increased due to a change in the treatment of San Diego Data Processing Corporation ("SDDPC") accruals. Because SDDPC is a blended component unit of the City, the City began booking accruals between the City and SDDPC as Due To/Due From rather than as receivables/payables.

(6) During Fiscal Year 2007, the Streets Division became part of the General Fund, resulting in an increase in ending encumbrances. In Fiscal Year 2009, encumbrances decreased as a result of revised procedures for releasing encumbrances in the General Fund, as well as the transfer of slurry seal costs and related encumbrances from the Streets Division to Grant Funds.

(7) Beginning in Fiscal Year 2008, a decrease in interest rates led to an increase in the price of fixed income securities, which resulted in unrealized gains. In Fiscal Year 2009, a significant amount of the City's unrealized gains were realized through the City Pool's normal rebalancing process, resulting in an overall decrease in Designated for Unrealized Gains at year end.

Source: Fiscal Year 2005 - 2009 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego

TABLE A-2
CITY OF SAN DIEGO
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE FOR THE GENERAL FUND
Fiscal Years 2005 through 2009
(in thousands)
(audited)

	2005	*2006*	*2007*	*2008*	*2009*
REVENUES:					
Property Taxes (1)	$223,500	$322,087	$361,062	$384,273	$398,743
Sales Taxes (2) (3) (4)	95,376	110,556	233,385	235,579	212,918
In-Lieu Sales Taxes (3) (5)	48,220	45,433	--	--	--
Transient Occupancy Taxes (6)	63,910	72,126	80,703	83,730	73,765
Other Local Taxes	73,456	72,102	74,069	71,594	72,432
Licenses and Permits	28,459	31,913	31,475	33,815	31,249
Fines, Forfeitures and Penalties	31,857	32,346	40,346	31,083	32,467
Revenues from Use of Money and Property	33,015	35,872	42,157	44,577	41,461
Revenues from Federal Agencies	6,888	3,755	5,066	4,086	4,268
Revenues from Other Agencies (1) (7)	74,571	12,594	16,644	14,236	8,915
Charges for Current Services (8)	105,293	91,514	85,026	87,263	133,117
Other Revenue	2,778	2,864	2,730	3,297	5,296
Total Revenues	**787,323**	**833,162**	**972,663**	**993,533**	**1,014,631**
EXPENDITURES:					
Current:					
General Government and Other Support Services (9)	164,892	183,143	189,203	225,570	243,057
Neighborhood Services	25,137	19,702	18,339	18,563	17,255
Public Safety	478,299	509,264	517,522	562,975	584,986
Parks, Recreation and Culture	106,274	108,153	112,967	119,125	116,391
Transportation (10)	21,448	23,032	59,516	66,162	72,635
Sanitation and Health (11)	41,024	41,720	39,391	48,995	67,867
Debt Service:					
Principal Retirement (12)	2,381	2,504	2,604	2,204	818
Interest (13)	1,811	3,416	6,519	5,720	3,106
Total Expenditures	**841,266**	**890,934**	**946,061**	**1,049,314**	**1,106,115**
EXCESS (DEFICIENCY) OF REVENUES (UNDER) OVER EXPENDITURES	(53,943)	(57,772)	26,602	(55,781)	(91,484)
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	7,039	2,989	4,181	5,896	6,267
Transfers from Other Funds (14)	58,913	71,672	86,980	94,562	105,059
Transfers to Proprietary Funds	(1,185)	(246)	(1,373)	(5,358)	(4,043)
Transfers to Other Funds (15)	(14,276)	(21,946)	(46,018)	(46,470)	(26,031)
Net Income (Loss) from Joint Venture	20	522	35	(116)	(157)
Proceeds from Capital Leases (16)	3,258	5,374	--	--	--
TOTAL OTHER FINANCING SOURCES (USES)	**53,769**	**58,365**	**43,805**	**48,514**	**81,095**
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(174)	593	70,407	(7,267)	(10,389)
FUND BALANCE AT JULY 1	**61,222**	**61,048**	**61,641**	**132,048**	**124,781**
FUND BALANCE AT FOLLOWING JUNE 30	**$61,048**	**$61,641**	**$132,048**	**$124,781**	**$114,392**

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(1) Beginning in Fiscal Year 2006, the Educational Revenue Augmentation Funds ("ERAF") III monies received from the State ($70,550,958) intended to replace the Motor Vehicle License Fees backfill were classified as Property Tax revenue. This revenue was previously classified as Motor Vehicle License Fees, under "Revenues from Other Agencies".

(2) Includes Proposition 172 Safety Sales Tax and "triple flip amounts". See "Major Revenue Sources-Sales Tax/Triple Flip" herein. Beginning with Fiscal Year 2007, Sales Tax revenue is recorded entirely in the General Fund and then transferred out, as an expense, to the Sales Tax supported funds. Prior to Fiscal Year 2007, Sales Tax was allocated to the Sales Tax supported funds as Sales Tax revenue.

(3) Beginning in Fiscal Year 2007, "In-Lieu Sales Tax" is reported with Sales Tax revenue. In prior years, it was received with the Property Tax apportionments and reported separately from Sales Tax.

(4) Sales Tax revenue decreased by $22.7 million in Fiscal Year 2009 due to the economic downturn.

(5) In Lieu Sales Tax is the property tax reimbursement that the City receives as a result of the triple-flip (triple-flip is the shift enacted by the State in Fiscal Year 2005 whereby local governments shift ¼-cent of their Sales and Use Tax to the State in exchange for an equivalent amount of property tax).

(6) Includes the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy); the balance (5.0% of the 10.5% levy) is allocated to Special Promotional Programs. Of this 5% balance, approximately 1% may be budgeted in the General Fund as discretionary revenue and for Special Promotional Programs in the General Fund. Transient Occupancy Tax decreased by $10.0 million in Fiscal Year 2009 due to the economic downturn.

(7) Revenue from Other Agencies decreased in Fiscal Year 2009 due to a decrease in revenue from California State Grants. In Fiscal Year 2008, the City received a large reimbursement of $5.4 million for debris removal related to the 2007 October Wildfires.

(8) Charges for Current Services increased by $45.9 million in Fiscal Year 2009 due to the consolidation of the Engineering and Capital Projects Department into the General Fund. This creates revenue through personnel charges against capital projects, and the corresponding return of revenue to the General Fund.

(9) General Government and Other Support Services increased in Fiscal Year 2009 due to the consolidation of the Engineering and Capital Projects Department into the General Fund. There were also decreases in this category due to the reclassification of Storm Water Department into Sanitation and Health.

(10) Transportation increased in Fiscal Year 2009 due to the consolidation of the Engineering and Capital Projects Department into the General Fund.

(11) Sanitation and Health increased due to the addition of the Storm Water Department, previously reported within General Government and Other Support Services.

(12) Principal Retirement decreased in Fiscal Year 2009 due to Police and Fire Master Leases being funded from the Seized Asset Fund instead of the General Fund.

(13) The majority of the decrease in Interest expense in Fiscal Year 2009 is due to the Fiscal Year 2009 TRAN being held for a shorter time; it was issued and repaid within Fiscal Year 2009, while the Fiscal Year 2007 and 2008 TRANs were 13 month notes. (TRANs for Fiscal Years 2005 and 2006 were issued and repaid within the same Fiscal Year) A second reason for the decrease in Interest is due to Police and Fire Master Leases being moved from the General Fund and funded from the Seized Asset Fund.

(14) Increase in Transfers from Other Funds is primarily due to the State of California delaying $4.5 million in Fiscal Year 2008 Gas Tax payments until Fiscal Year 2009.

(15) The majority of the variance between Fiscal Year 2009 and Fiscal Year 2008 in Transfers to Other Funds is due to the transfers in Fiscal Year 2008 to Capital Improvement Funds from the Storm Water Department and Streets Division. These transfers did not recur in Fiscal Year 2009.

(16) The General Fund had no new Capital Leases to report in Fiscal Years 2007 through 2009.

Source: Fiscal Year 2005 - 2009 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego

Operating Budget Summary

The City's General Fund Fiscal Year 2010 Original Adopted Budget, together with actual results on a budgetary basis for Fiscal Year 2009, is set forth in the following Table A-3-1. The Fiscal Year 2010 Revised Adopted Budget and Revised Fiscal Year 2011 Proposed General Fund Budget dated April 15, 2010 are set forth in the following Table A-3-2.

TABLE A-3-1
CITY OF SAN DIEGO
OPERATING BUDGET SUMMARY
Fiscal Years 2009-2010
(in thousands)

	Fiscal Year 2009	Fiscal Year 2010
	Actuals on a Budgetary Basis[8]	Original Adopted Budget (July 1, 2009)
REVENUE SOURCES		
Property Tax	$398,743	$382,628
Sales Tax [1]	212,918	217,199
Property Transfer Tax	4,592	4,511
Transient Occupancy Tax [2]	73,765	75,907
Licenses and Permits	31,249	32,374
Fines, Forfeitures, and Penalties	32,467	32,294
Interest Earnings [3]	384	4,092
Franchises	67,840	73,717
Other Rents and Concessions	41,868	45,990
Motor Vehicle License Fees	4,650	3,900
Revenue from Other Agencies	8,533	8,472
Charges for Current Services	133,117	138,571
Transfers from Other Funds	111,326	108,493
Other Revenue	5,296	1,558
Net Income (Loss) from Joint Venture	(157)	0
Total General Fund Revenues and Transfers[4]	**$1,126,591**	**$1,129,706**
EXPENDITURES		
Public Safety	$588,103	$574,794
Parks, Recreation, Culture and Leisure	120,573	122,104
Sanitation and Health	81,462	37,346
Transportation	75,562	41,153
Neighborhood Services	19,416	19,317
General Government and Support	249,134	264,563
Debt Service [5]	3,924	9,751
Transfers	30,074	60,679
Total General Fund Expenditures and Transfers	**$1,168,248**[6][7]	**$1,129,706**

(1) Includes Proposition 172 Safety Sales Tax and "triple flip" amounts. See "Major Revenue Sources — Sales Tax/Triple Flip" herein.
(2) Includes the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy); the balance (5.0% of the 10.5% levy) is allocated to Special Promotional Programs. Of this 5% balance, approximately 1% may be budgeted in the General Fund as discretionary revenue and for Special Promotional Programs in the General Fund.
(3) Fiscal Year 2010 Original Adopted Budget does not include interest earnings from the Tax and Revenue Anticipation Notes Fund, which relates to the Fiscal Year 2009 TRAN borrowing which matured on July 1, 2009.
(4) Line items may not add to totals due to independent rounding.
(5) Fiscal Year 2010 Original Adopted Budget includes only the General Fund portion of debt service interest expenses transferred to the Tax and Revenue Anticipation Notes Fund.
(6) Fiscal Year 2009 Actuals on a Budgetary Basis does not include $10.0 million General Fund Appropriated Reserve. An Appropriated Reserve may be maintained for the purpose of paying for unanticipated operational needs that arise during the Fiscal Year, but which were not anticipated during the budget process. The Appropriation Ordinance authorized and directed that the expenditure appropriations of the General Fund Appropriated Reserve be increased by $10.0 million from the General Fund Unappropriated Reserve.
(7) The excess of budgetary expenditures over revenues is primarily the result of outstanding encumbrances as of June 30, 2009. In addition, the General Fund experienced an approximate $10.4 million reduction of fund equity in Fiscal Year 2009.
(8) Including certain funds that were excluded from the Fiscal Year 2009 General Fund Adopted Budget for administrative purposes.

Source: Fiscal Year 2009: Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego
Fiscal Year 2010 Original Adopted Budget, Financial Management, City of San Diego

TABLE A-3-2
CITY OF SAN DIEGO
OPERATING BUDGET SUMMARY
Fiscal Years 2010-2011
(in thousands)

	Fiscal Year 2010[1]	*Fiscal Year 2011*[1]
	Revised Adopted Budget (December 9, 2009)	*Revised Proposed Budget (May 14, 2010)*
REVENUE SOURCES		
Property Tax [2]	$358,048	$390,061
Sales Tax [3]	217,199	193,758
Property Transfer Tax	4,511	4,686
Transient Occupancy Tax	75,907	66,115
Franchises	73,717	67,185
Motor Vehicle License Fees	3,900	3,143
Interest Earnings	4,091	1,656
Licenses & Permits	32,436	31,596
Fines, Forfeitures, and Penalties	32,377	32,796
Revenue from Money & Property	41,727	43,612
Revenue from Federal Agencies	2,244	1,872
Revenue from Other Agencies	1,031	330
Charges for Current Services	153,548	144,960
Other Financial Sources & Uses	107,197	111,248
Other Revenue	4,062	2,518
Total General Fund Revenues and Transfers	**$1,111,995**	**$1,095,534**
EXPENDITURES		
Public Safety	$561,622	$556,371
Parks & Recreation	118,992	117,153
Sanitation and Health	36,936	32,470
Transportation	45,577	43,511
Neighborhood Services	18,901	17,414
Operations Support	260,192	266,473
Debt Service	9,751	10,569
Transfers	60,024	51,573
Total General Fund Expenditures	**$1,111,995**	**$1,095,534**

(1) Actual figures for prior years cannot be shown in same categorization as budgeted figures due to budget software change.

(2) Fiscal Year 2010 Revised Adopted Budget reflects a $24.6 million reduction to property tax based on revenue due to the placement of certain revenues in a special set-aside fund for Fiscal Year 2011 deficit mitigation efforts. Full property tax projection for Fiscal Year 2010 is $382.6 million. See "Fiscal Year 2010 Mid-Year Budget Monitoring Report" and "Fiscal Year 2010 Year-End Budget Monitoring Report" herein.

(3) Includes Proposition 172 (safety sales tax) revenue and "Triple Flip" amounts. See "Major Revenue Sources - Sales Tax/Triple Flip" herein.

Source: Financial Management, City of San Diego.

Fiscal Year 2009 (Actuals on a Budgetary Basis)

The actual total General Fund revenues and transfers on a budgetary basis, as shown in Table A-3-1, for Fiscal Year 2009 equaled $1.127 billion, which represents an increase of $35 million or 3.2% more than the actual results for Fiscal Year 2008 and a decrease of $67 million or 5.6% less than the original General Fund budget for Fiscal Year 2009, and includes certain funds that were excluded from the Fiscal Year 2009 General Fund Adopted Budget for administrative purposes.

Property tax, sales tax (including Proposition 172 safety sales tax), transient occupancy tax and franchise fees comprise a significant proportion of General Fund revenues of the City, accounting for approximately 66.8% of such revenues in Fiscal Year 2009 (declining to an estimated 66.3% in the Fiscal Year 2010 Annual Budget and projected 65.7% in the Fiscal Year 2011 Proposed Budget). See "Major Revenue Sources" below for a further discussion of these revenue sources. The following table shows the change in actual major revenue sources for Fiscal Year 2009 compared with Fiscal Year 2008.

Change in General Fund Major Revenue Sources
Actual Results Fiscal Year 2009 Compared With Fiscal Year 2008(1)

Property Tax	3.8%
Sales Tax(2)	(9.6)%
Transient Occupancy Tax	(11.9)%
Franchise Fees	5.0%

(1) The above percentages reflect General Fund year over year percent changes in these revenue sources
(2) Includes Proposition 172 Safety Sales Tax and "triple flip" amounts. See "Major Revenue Sources—Sales Tax/Triple Flip" herein.

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

Actual total General Fund expenditures and transfers, presented in a budget format equivalent on Table A-3-1, for Fiscal Year 2009 equaled $1.168 billion, an increase of $23 million or 2.0% more than the actual results for Fiscal Year 2008 and a decrease of $70 million or 5.7% less than the original General Fund budget for Fiscal Year 2009, including certain funds that were excluded from the Fiscal Year 2009 General Fund Adopted Budget for administrative purposes.

Fiscal Year 2010 Original Adopted Budget

As shown on Table A-3-1, under the Fiscal Year 2010 Original Adopted Budget of $2.95 billion, General Fund budgeted revenues totaled $1.13 billion, a decrease of $62.90 million or 5.3% from the Fiscal Year 2009 Original Adopted Budget. The Fiscal Year 2010 Original Adopted General Fund budget included 7,397 FTE positions, a decrease of 148 FTE positions from the General Fund Fiscal Year 2009 Original Adopted Budget. The Fiscal Year 2010

Original Adopted General Fund budget added staff positions for new facilities and for existing facilities that were only partially staffed during the prior Fiscal Year, as well as adding certain other priority staff positions.

Fiscal Year 2010 Revised Adopted Budget

On December 9, 2009 the City's Fiscal Year 2010 Original Adopted Budget was amended. As shown on Table A-3-2, revenues were increased by $1.9 million and expenditures were decreased by $22.7 million, resulting in a projected net savings of $24.6 million to the General Fund to be set aside from Fiscal Year 2010 Property Tax to mitigate the projected deficit in Fiscal Year 2011. The Fiscal Year 2010 Revised Adopted Budget (with the savings of $24.6 million) was approved early in Fiscal Year 2010 to address a projected Fiscal Year 2011 General Fund deficit of $179.1 million outlined in the City's Fiscal Year 2011-15 Five-Year Financial Outlook. This projected budget deficit was mitigated in the December 2009 budget action through a variety of one-time and on-going adjustments. As discussed under "Fiscal Year 2011 Proposed General Fund Budget and Revised Fiscal Year 2011 Proposed Budget" below, the City's approach to addressing the projected Fiscal Year 2011 deficit included amending the Fiscal Year 2010 Original Adopted Budget to reduce expenditures. The resulting savings in Fiscal Year 2010, estimated at $24.6 million, will be set aside in a special reserve and are included as revenue in the Revised Fiscal Year 2011 Proposed General Fund Budget. See "Fiscal Year 2011 Proposed General Fund Budget and Revised Fiscal Year 2011 Proposed Budget" below.

Fiscal Year 2010 Mid-Year Budget Monitoring Report

On February 25, 2010, the City issued its Fiscal Year 2010 Mid-Year Budget Monitoring Report (the "Fiscal Year 2010 Mid-Year Monitoring Report"), which projects the estimated year-end revenues and expenditures for Fiscal Year 2010. The Fiscal Year 2010 Mid-Year Monitoring Report indicates that the General Fund is expected to end Fiscal Year 2010 with $11.2 million of expenditures in excess of revenue. Due to the continued slowdown in the economy, Fiscal Year 2010 year-end revenues are projected to be $59.3 million below the Fiscal Year 2010 Revised Adopted Budget of $1.11 billion. This represents a 5% decrease from the Fiscal Year 2010 Revised Adopted Budget. Expenditures are projected to end the year $16.6 million, or 1%, below the Fiscal Year 2010 Revised Adopted Budget, which partially offsets the projected revenue shortfall. The City encumbrance policy has changed during Fiscal Year 2010 with the implementation of a new accounting system. As a result, in this transition year, all prior year encumbrances are being expensed against the current year budget. The City has $31.5 million of prior year appropriations that will be released to offset the expenditures from prior year encumbrances that are affecting the current year budget. The release of $31.5 million of carry-forward appropriations from Fiscal Year 2009 will offset, in part, the projected revenue deficit, resulting in the approximately $11.2 million net shortfall of revenues from expenditures in Fiscal Year 2010 indicated in the Fiscal Year 2010 Mid-Year Monitoring Report. The significant decline in revenues from the Fiscal Year 2010 Revised Adopted Budget is primarily in the areas of property and transient occupancy taxes and is related to the current economic recession and slow recovery. This projection takes into account the budget amendments described under the subheading "Fiscal Year 2010 Revised Adopted Budget" above.

Through the Fiscal Year 2010 budget reductions (as described under "Fiscal Year 2010 Revised Adopted Budget" herein), $24.6 million of General Fund revenue was projected to be set aside in a special reserve fund to support Fiscal Year 2011 expenditures, which was implemented in response to the projected Fiscal Year 2011 General Fund deficit of $179.1 million identified in the Fiscal Years 2011-2015 Five-Year Financial Outlook. See "Reserves" herein. The $24.6 million General Fund revenue set aside amount is reflected in the Fiscal Year 2010 annual property tax projection in the Fiscal Year 2010 Mid-Year Monitoring Report (see "Major Revenue Sources—Property Taxes" herein).

The Fiscal Year 2010 Mid-Year Monitoring Report was presented to the Budget and Finance Committee on March 3, 2010 and the full City Council on March 23, 2010. The City's on-going review indicates that the Fiscal Year 2010 budgetary shortfall could be higher than the $11.2 million shortfall indicated in the Fiscal Year 2010 Mid-Year Monitoring Report. The principal mitigation option currently being considered is a reduction in discretionary expenditures. If such reduction were not sufficient to balance the Fiscal Year 2010 budget, there could be a marginal reduction in the City's unallocated reserves, to the extent necessary. See "Reserves" herein. The City is not currently considering any changes in taxes or fees that would increase revenues in Fiscal Year 2010. The City expects to balance the Fiscal Year 2010 budget by the end of the Fiscal Year.

The references herein to the Fiscal Year 2010 Revised Adopted Budget do not reflect any changes recommended in the Fiscal Year 2010 Mid-Year Monitoring Report or Fiscal Year 2010 Year-End Monitoring Report.

Fiscal Year 2010 Year-End Budget Monitoring Report

On May 20, 2010, the City issued its Fiscal Year 2010 Year-End Budget Monitoring Report (the "Fiscal Year 2010 Year-End Monitoring Report"), which projects the estimated year-end revenues and expenditures for Fiscal Year 2010 based on actual expenditure and revenue information through March 31, 2010. The Fiscal Year 2010 Year-End Monitoring Report states that the $11.2 million year-end budget deficit projected in the Fiscal Year 2010 Mid-Year Monitoring Report has been addressed through $14.2 million of budget solutions, such as selective filling of vacant positions, controlling travel and contractual service expenses, improved efficiencies and the identification of additional General Fund revenues. However, such cost savings were exceeded by decreased franchise fees and department revenues in the third quarter, resulting in a projected Fiscal Year 2010 General Fund year-end balance of $7.8 million of expenditures in excess of revenue. Fiscal Year 2010 year-end revenues are projected to be $66.8 million below the Fiscal Year 2010 Revised Adopted Budget of $1.11 billion, which represents a 5% decrease from the Fiscal Year 2010 Revised Adopted Budget. Year-end expenditures are projected to be $27.5 million, or 2%, below the Fiscal Year 2010 Revised Adopted Budget, which partially offsets the projected revenue shortfall. The $27.5 million of expenditure savings, combined with the release of the $31.5 million carry forward of prior year appropriations, offset the projected revenue shortfall of $66.8 million, resulting in the $7.8 million net shortfall. The City continues to analyze various options to address the $7.8 million projected year-end deficit.

As of March 31, 2010, the estimated General Fund reserve balance is $77.1 million, consisting of an unallocated reserve of $22.1 million and an emergency reserve of $55.0 million. The General Fund reserve balance is over 7% of projected General Fund revenue (including the $24.6 million of property tax revenue set-aside for Fiscal Year 2011) and satisfies the City's reserve goal for Fiscal Year 2010.

Presented below are budgeted growth (or decline) rates in Fiscal Year 2010 for the major revenue sources based on the Fiscal Year 2010 Mid-Year Monitoring Report.

Projected Changes in General Fund Major Revenue Sources
Fiscal Year 2010 Mid-Year Monitoring Report Projection for Fiscal Year-End
Compared With Fiscal Year 2009 Actuals[1]

Property Tax [2]	(2.0)%
Sales Tax[3]	(10.2)%
Transient Occupancy Tax	(10.4)%
Franchise Fees	3.5%

(1) The above percentages reflect General Fund percent changes in these revenue sources
(2) Property tax percent change reflects the full General Fund projection, including the $24.6 million in set aside funds as part of the Fiscal Year 2011 deficit mitigation plan
(3) Includes Proposition 172 Safety Sales Tax and "triple flip" amounts. See "Major Revenue Sources—Sales Tax/Triple Flip" herein.

Source: City of San Diego, Financial Management Department.

Fiscal Year 2011 Proposed General Fund Budget and Revised Fiscal Year 2011 Proposed Budget

On December 9, 2009, the City Council adopted the Fiscal Year 2011 Proposed General Fund Budget. The Fiscal Year 2011 Proposed General Fund Budget reflects revenues and expenditures totaling $1.11 billion, representing a decrease of $21.4 million or a 1.9% decline from the Fiscal Year 2010 Original Adopted Budget. The Fiscal Year 2011 General Fund Budget was adopted early to mitigate a projected deficit of $179 million in Fiscal Year 2011 identified in the Fiscal Year 2011-15 Five Year Financial Outlook issued in October 2009. The projected deficit in Fiscal Year 2011 is primarily due to the combination of a projected decline in some major revenue sources, and a projected increase in expenditures resulting from the ARC to the City's pension system (the "Pension System"), and the remaining balance for the McGuigan Settlement (herein defined). (See "LABOR RELATIONS; SDCERS; OTHER POST EMPLOYMENT BENEFITS – City Contributions to SDCERS" herein.) The Fiscal Year 2011 Proposed General Fund Budget included one-time budget adjustments totaling $96.6 million, such as: a Fiscal Year 2011 suspension of reserve contributions to the General Fund, Public Liability, and Workers' Compensation reserves; a transfer to the General Fund of undesignated fund balances that were set aside for purposes that are no longer relevant; a restructuring of the McGuigan Settlement payment over several years; and $24.6 million in savings set aside from Fiscal Year 2010, as described under the "Fiscal Year 2010 Revised Adopted Budget." The Fiscal Year 2011 on-going budget adjustments of approximately $82.6 million include a reduction of personnel expenditures from the elimination of 486 General Fund FTE positions and non-personnel expenditures.

In response to additional information received subsequent to the adoption of the Fiscal Year 2011 Proposed General Fund Budget by the City Council on December 9, 2009, on April 15, 2010, the Mayor presented the Revised Fiscal Year 2011 Proposed Budget for City Council's consideration. As set forth on Table A-3-2, the Revised Fiscal Year 2011 Proposed General Fund Budget reflects revenues and expenditures totaling $1.09 billion, representing a decrease of $37.4 million or a 3.3% decline from the Fiscal Year 2010 Original Adopted Budget. The Fiscal Year 2011 Revised Proposed Budget addresses an additional $28 million shortfall caused by the slow economic recovery, certain revenue losses and adjustments to the ARC payment. The shortfall is addressed through departmental savings in Fleet costs ($11.0 million), departmental reductions in supplies and services ($7.5 million), savings in annual retiree health care costs ($3.0 million), and restructuring of the McGuigan Settlement agreement ($6.7 million). Pending court approval, the City intends to have the McGuigan judgment modified to allow for the judgment to be sold to Bank of America. The bank will pay a portion of the amount due to SDCERS under the McGuigan Settlement by June 30, 2010 and the City will repay the bank over a four year term beginning in Fiscal Year 2012. The General Fund portion of these annual payments over four years is expected to be approximately $8 million per year. If the judgment is not modified and therefore not sold to Bank of America, the City would be required to pay the remaining McGuigan Settlement amount, including interest, of approximately $39.5 million by June 8, 2011. The General Fund's proportionate share of the payment would be approximately $30.8 million to be paid in Fiscal Year 2011. This amount is not included in the Revised Fiscal Year 2011 Proposed Budget.

In accordance with standard practice, the Mayor released the May Revision to the Revised Fiscal Year 2011 Proposed General Fund Budget (May Revision) that updated revenue and expenditure projections for Fiscal Year 2011 and included necessary amendments to the Revised Fiscal Year 2011 Proposed General Fund Budget. The Revised Fiscal Year 2011 Proposed General Fund Budget (May Revision) included revisions to the Revised Fiscal Year 2011 Proposed General Fund Budget, resulting in a $3.3 million increase to the General Fund Budget. See "Development of the Revised Fiscal Year 2011 Proposed Budget" herein.

Presented below are budgeted growth (or decline) rates in the Revised Fiscal Year 2011 Proposed General Fund Budget for the major revenues based on the Fiscal Year 2010 Mid-Year Monitoring Report.

Projected Changes in General Fund Major Revenue Sources
Revised Fiscal Year 2011 Proposed Budget Compared With Fiscal Year 2010 Mid-Year Monitoring Report Projection for Fiscal Year-End[(1)]

Property Tax	(0.1)%
Sales Tax[(2)]	1.3%
Transient Occupancy Tax	0.0%
Franchise Fees	(4.3)%

(1) The above percentages reflect General Fund percent changes in these revenue sources
(2) Includes Proposition 172 Safety Sales Tax and "triple flip" amounts. See "Major Revenue Sources—Sales Tax/Triple Flip" herein.

Source: City of San Diego, Financial Management Department.

State Budget Impacts. While the City's Fiscal Year 2010 Revised Adopted Budget assumes the City will not receive its share of certain State bond proceeds for discretionary street improvement projects, it does assume that sales tax and property tax revenues and other receipts including certain gas tax transfers will not be disrupted by the State's fiscal crisis. As of March 2010, it is unknown whether the State will issue registered warrants, as it did in Fiscal Year 2009, and how such issuance, if any, may impact the City's budget.

As with other local governments in the State, the City's fiscal challenges have been exacerbated by the State's ongoing budget crisis. The State legislature suspended the requirements of Proposition 1A (2004) in an effort to balance the State's Fiscal Year 2010 budget. Proposition 1A is intended to prevent local revenues from being taken by the State; however, Proposition 1A can be suspended with the declaration of a fiscal emergency by the Governor and a vote of two-thirds of the Legislature. In Fiscal Year 2010, the State borrowed approximately $1.9 billion in property tax revenue from local jurisdictions to help balance the State budget; the City's share of this was approximately $35.8 million. However, the City has recovered this property tax revenue during Fiscal Year 2010 through a securitization program established by the California Statewide Communities Development Authority. See "LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 1A," herein.

The City has reviewed the State's Proposed 2011 Budget, which stated that the State faced a budget deficit of $19.9 billion in Fiscal Year 2011 absent corrective action. Fiscal measures taken by the State are being monitored by the City for their potential effects on revenues and expected cash flows, including the State's potential appropriation of local gas tax revenues.

Given the current state of the State's economy and the projected imbalance in the State's budget, the City cannot fully anticipate the final resolution of the State's budget challenges and its impacts on the revenues or expenditures of the City. The City cannot predict the extent of any additional fiscal problems that will be encountered in this or in any future fiscal years, and, it is not clear what measures will be taken by the State or federal government to address the continuing economic downturn. Future State budgets could be affected by national economic conditions and the factors over which the City will have no control. Also, the City cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's current and future budget deficits or the impact that such actions will have on the City's finances and operations. To the extent that the State budget process results in reduced revenues or increased expenses to the City, the City will be required to make adjustments to its budget. See "State Budget" herein.

Major Revenue Sources

Property Taxes. Property tax revenue is the City's largest revenue source, representing 32.2% of the total General Fund revenue estimated for the Fiscal Year 2010 Revised Adopted Budget. The County assesses and collects secured and unsecured property taxes for the cities, school districts, and special districts within the County, including the City. The delinquency dates for property tax payment are December 10 for the first installment and April 10 for the second installment. Once the property taxes are collected, the County conducts its internal reconciliation for accounting purposes and distributes the City's share of such taxes to the City, periodically and typically pursuant to a published schedule. Prior to distribution, the moneys are deposited in an account established on behalf of the City in the County Treasurer's Investment Pool (the "Pool"). If the County and/or the Pool were at any time to become subject to bankruptcy proceedings, it is possible that City property taxes held in the Pool, if any, could be temporarily unavailable to the City. In the event of such an occurrence, the City believes that General Fund revenue requirements could be met through the use of other City funds. Ad valorem taxes are subject to constitutional limits as discussed under the section "LIMITATIONS ON TAXES AND APPROPRIATIONS."

Taxes are levied for each Fiscal Year on taxable real and personal property which is situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing the taxes on which there is a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the Fiscal Year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. If not paid, the property is subject to default. Such property may be redeemed by payment of the delinquent taxes and the delinquent penalty, plus a redemption penalty of 1.5% per month from July 1 of the following year to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due following the January 1 lien date and become delinquent, if unpaid, on August 31 of the Fiscal Year. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the Fiscal Year. The taxing authority has four ways of collecting unsecured personal property taxes: (a) commencing a civil action against the taxpayer; (b) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (c) filing a certificate of delinquency for record in the County Recorder's Office, in order to obtain a lien on certain property of the taxpayer; and (d) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee.

A supplemental assessment occurs upon a change of ownership of existing property and for new construction upon completion. A supplemental tax bill is issued for the difference in property value resulting from the increase or decrease in assessed value prorated for the remainder of the year.

Effective July 1, 1988, Assembly Bill 454, Chapter 921, eliminated the reporting of the unitary valuations pertaining to public utilities such as San Diego Gas and Electric ("SDG&E"). In lieu of the property tax on these previously included assessed valuations, the City now receives from the State (through the County) an amount of unitary revenue based upon the unitary property tax received in the prior year.

Property taxes allocated to the City include an amount to compensate cities for the loss of motor vehicle license fees. Motor Vehicle License Fees ("MVLF" or "VLF") are levied as a percentage of an automobile's purchase price, subject to depreciation, and are paid annually to the California Department of Motor Vehicles at the time of registration. The fees are then forwarded to the State Controller's Office, which allocates the funds to local governments per capita on a monthly basis.

Beginning in 1999, the MVLF underwent a series of offsets, first initiated by the State legislature as part of the 1998-1999 Budget agreement. These offsets ultimately resulted in a 67.0% reduction in the effective MVLF rate, from 2.0% of a vehicle's value to 0.65%. To compensate cities and counties for the tax offset, the State began providing State General Fund revenue to cities and counties on a dollar-for-dollar basis, otherwise known as the MVLF backfill. As part of the Fiscal Year 2005 State Budget agreement, the MVLF rate was statutorily reduced to 0.65%, thereby eliminating the MVLF backfill. Cities were compensated for the loss in MVLF revenue with increased property tax revenues. Although the MVLF rate has subsequently increased, the City does not share in this increase.

Fiscal Year 2010 Property Tax Budget. The Fiscal Year 2010 Revised Adopted Budget includes $358.0 million in property tax revenues, consisting of $253.0 million of 1% property tax levy and $105.0 million of "in-lieu of VLF" property tax revenue. The annual projection for property tax revenue in the Fiscal Year 2010 Mid-Year Monitoring Report is $366.0 million (including "in-lieu of VLF" property tax revenue) which is $8.0 million above the amount set forth in the Fiscal Year 2010 Revised Adopted Budget. Total projection for property tax revenue in the Revised Fiscal Year 2010 Adopted Budget is $382.6 million; however, $24.6 million in property tax revenue is to be placed in a set aside fund as a part of the deficit mitigation efforts for Fiscal Year 2011. See "Fiscal Year 2010 Mid-Year Budget Monitoring Report" herein. The Fiscal Year 2010 projection of annual property tax revenue in the Fiscal Year 2010 Mid-Year Monitoring Report, including this set aside amount, is $390.6 million. The increased property tax revenue projection is based on updated assessed valuation information ("AV") provided by the County of San Diego Assessor's Office (the "County Assessor's Office") after the City's Fiscal Year 2010 Original Adopted Budget was adopted. The preliminary estimate of the change in AV in Fiscal Year 2010 (including redevelopment areas) was a negative 3.4%; this was later revised by the San Diego County Assessor's Office to a negative 0.8%. A number of factors contributed to the decline in AV, such as falling residential real estate prices and increased foreclosures. In addition, the increased number of reassessment applications to the Assessor's Office has contributed to increased refunds to homeowners and less revenue to the City. As of February 2010, these refunds have totaled $2.5 million, compared to $950,000 for a similar time period in Fiscal Year 2009 and $614,000 in Fiscal Year 2008. The 1.0% property tax levy is placed on the total AV of all commercial, residential, and industrial properties in the City. Due to the downturn on the real estate market, the average home price dropped nearly 25 percent since December 2007 through February of 2010. According to the County Assessor's Office, the total AV in Fiscal Year 2010 has dropped by $1.4 billion or 0.8 percent from the previous Fiscal Year. As described under the subheading "Fiscal Year 2010 Mid-Year Budget Monitoring Report", $24.6 million will be set aside in a special reserve fund to support Fiscal Year 2011 expenditures. This set aside amount is reflected in the Fiscal Year 2010 Mid-Year Budget Monitoring Report as a reduction in the General Fund property tax budgeted amount.

Following the suspension of Proposition 1A (2004), in Fiscal Year 2010, the State borrowed $1.9 billion in property tax revenue from local jurisdictions to help balance the State budget; the City's share of this is approximately $35.8 million. However, the City has fully recovered this property tax revenue during Fiscal Year 2010 through a securitization program conducted by the California Statewide Communities Development Authority. (See "LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 1A," herein.)

Table A-4 presents the assessed valuation within the City for each of the last ten Fiscal Years.

TABLE A-4
ASSESSED VALUATION[1][2][3]
Fiscal Years 2001 through 2010
(in thousands except for percentages)
(unaudited)

Fiscal Year	*Secured Property*	*Unsecured Property*	*Gross Total*	*Less Exemptions[4]*	*Net Assessed Valuations [5]*	*Annual Assessed Valuation % Change*
2001	$ 82,311,127	$ 6,120,888	$ 88,432,015	$ 4,364,856	$ 84,067,159	--
2002	89,480,011	6,747,650	96,227,660	4,712,944	91,514,716	8.86
2003	96,751,483	6,838,410	103,589,893	4,336,637	99,253,256	8.46
2004	105,730,848	7,167,011	112,897,859	5,171,957	107,725,902	8.54
2005	115,305,637	6,724,787	122,030,424	4,872,423	117,158,002	8.76
2006	128,935,155	7,067,580	136,002,735	5,684,279	130,318,456	11.23
2007	142,036,802	7,629,006	149,665,808	5,867,546	143,798,261	10.34
2008	154,653,913	7,410,589	162,064,502	6,329,714	155,734,787	8.30
2009	162,580,727	7,880,341	170,461,068	6,795,274	163,665,794	5.09
2010	161,637,831	8,164,394	169,802,225	7,157,357	162,644,869	-0.62

(1) The official date of assessment is the first day of January preceding the Fiscal Year during which taxes are levied. For example, January 1, 2009 is the official assessment date for property taxes due during Fiscal Year 2010.
(2) Does not include State assessed utility property.
(3) The table differs from what is presented in the unaudited statistical section of the Fiscal Year 2009 CAFR to reflect uniform reporting methodology and to accurately allocate Redevelopment base year values.
(4) Inclusive of homeowners' exemptions.
(5) Net assessed valuation for tax purposes.
Source: MuniServices, LLC.

Table A-5 shows the City's secured tax collections for each of the ten Fiscal Years shown.

TABLE A-5
SECURED TAX LEVIES AND COLLECTIONS[1]
Fiscal Years 2000 through 2009
(in thousands except for percentages)
(unaudited)

Fiscal Year	*Tax Levy*	*Current Year Collections*	*Current Year Collections as Percentage of Current Tax Levy*	*Total Tax Collections[2]*	*Total Collections as Percentage of Current Tax Levy*
2000	$141,963	$137,859	97.11%	$140,225	98.78%
2001	155,060	150,900	97.32	153,406	98.93
2002	167,077	163,357	97.77	165,446	99.02
2003	181,687	175,943	96.84	178,341	98.16
2004	199,630	191,224	95.79	194,399	97.38
2005	227,422	213,173	93.73	216,325	95.12
2006	255,211	240,895	94.39	245,458	96.18
2007	272,983	257,034	94.16	262,899	96.31
2008	289,235	271,657	93.92	279,759	96.72
2009	299,935	284,212	94.76	296,135	98.73

(1) Property Tax Levies and Collections for the General Fund and Zoological Exhibits Fund.
(2) Total Collections include unpaid taxes from previous years' tax levies collected in the current Fiscal Year.
Source: Fiscal Year 2009 Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller's Office, City of San Diego.

Table A-6 indicates the ten largest secured and unsecured property taxpayers in the City.

TABLE A-6
PRINCIPAL PROPERTY TAXPAYERS IN CITY OF SAN DIEGO (1)(2)(3)
Tax Roll for Fiscal Year 2010
(in thousands, except for percentages)

Taxpayers	*Type of Business*	*Assessed Valuation*(4)	*Percentage of Net Assessed Valuation*(5)	*Amount of Tax*
Irvine Co. (6)	Real Estate	$ 1,719,809	0.96%	$ 18,951
Kilroy Realty, LP (7)	Real Estate	1,424,156	0.79	15,688
Qualcomm, Inc (8)	Electronics	1,349,687	0.75	14,146
Arden Realty Ltd. Partnership (9)	Real Estate	789,658	0.44	8,701
San Diego Family Housing, LLC(10)	Real Estate	686,255	0.38	7,562
One Park Boulevard LLC(11)	Hotel Management	532,398	0.30	5,867
Pfizer, Inc	Pharmaceuticals	487,054	0.27	5,367
Fashion Valley Mall, LLC(12)	Developer	455,175	0.25	5,016
OCSD Holdings	Real Estate	439,169	0.24	4,839
Sea World, Inc.	Entertainment	421,064	0.23	4,640
TOTAL		$ 8,304,425	4.61%	$ 90,777

(1) The official date of assessment is the first day of January preceding the Fiscal Year during which taxes are levied. For example, January 1, 2009 is the official assessment date for property taxes due during Fiscal Year 2010.

(2) Utility Companies excluded.

(3) Includes redevelopment areas (base plus incremental value).

(4) Total assessed valuation includes both secured and unsecured property; does not include supplemental assessments.

(5) Using total Net Assessed Valuation of $179,621,903,704 (in whole dollars) for Fiscal Year 2010.

(6) Based on information provided by MuniServices LLC, this assessee has filed applications for assessment appeals for tax roll of 2009 (July 2008-June 2009) and tax roll of 2010 (July 2009-June 2010). These claims are still pending. Applicant is appealing assessed value to be lowered by $248,958,281 (in whole dollars) for the tax roll 2009 and $55,973,297 (in whole dollars) for the tax roll 2010. No assurance can be given of the outcome of the appeal.

(7) Based on information provided by MuniServices LLC, this assessee has filed an application for assessment appeal for tax roll of 2009 (July 2008-June 2009) and tax roll of 2010 (July 2009-June 2010). The claims are still pending. Applicant is appealing assessed value to be lowered by $58,872,696 (in whole dollars) for 2009 and $128,691,494 (in whole dollars) for 2010. No assurance can be given of the outcome of the appeal.

(8) Based on information provided by MuniServices LLC, this assessee has filed applications for assessment appeals for tax roll of 2008 (July 2007-June 2008) and tax roll 2009 (July 2008-June 2009). These claims are still pending. Applicant is appealing assessed value to be lowered by $423,601,931 (in whole dollars) for the tax roll of 2008, and $187,513,211 (in whole dollars) for the tax roll of 2009. No assurance can be given of the outcome of the appeal.

(9) Based on information provided by MuniServices LLC, this assessee has filed applications for assessment appeals for tax roll of 2009 (July 2008-June 2009) and tax roll of 2010 (July 2009-June 2010). These claims are still pending. Applicant is appealing assessed value to be lowered by $150,422,710 (in whole dollars) for the tax roll of 2009, and $282,602,882 (in whole dollars) for tax roll of 2010. No assurance can be given of the outcome of the appeal.

(10) Based on information provided by MuniServices LLC, this assessee has filed an application for assessment appeal for tax roll of 2010 (July 2009-June 2010). This claim is still pending. Applicant is appealing assessed value to be lowered by $183,000,888 (in whole dollars). No assurance can be given of the outcome of the appeal.

(11) Based on information provided by MuniServices LLC, this assessee has filed an application for assessment appeal for tax roll of 2010 (July 2009-June 2010). This claim is still pending. Applicant is appealing assessed value to be lowered by $556,579,327 (in whole dollars). No assurance can be given of the outcome of the appeal.

(12) Based on information provided by MuniServices LLC, this assessee has filed an application for assessment appeal for tax roll of 2010 (July 2009-June 2010). This claim is still pending. Applicant is appealing assessed value to be lowered by $2,099,540 (in whole dollars). No assurance can be given of the outcome of the appeal.

Source: MuniServices, LLC.

Total issued building permits and permit valuation (residential and non-residential) are used as indicators of overall construction activity. Fiscal Year 2009 commercial new construction permits valuation decreased by 38.1% ($354.8 million reduction) from 2008, while residential permits decreased by 53.8% ($235.7 million reduction) from the same time period. These negative economic trends are reflected in the decline in some budgeted revenues in the Fiscal Year 2010 Original Adopted Budget and Fiscal Year 2010 Revised Adopted Budget. Tables B-11 and B-12 in APPENDIX B—"DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY" set forth certain historic permit and residential foreclosure data, respectively.

Sales Tax/Triple Flip. Sales tax is collected and distributed by the State Board of Equalization. The sales tax rate is established by the State Legislature. Sales tax is the City's second largest revenue source, representing 19.5% of the total projected General Fund revenue in the Fiscal Year 2010 Revised Adopted Budget (including Proposition 172, safety sales tax revenue). The City's sales tax revenues shown in Tables A-3-1 and A-3-2 include a reimbursement from property taxes that the City will receive as a result of the "triple flip". Triple flip is the shift enacted by the State in Fiscal Year 2005 whereby local governments shift one-quarter of a cent of their Bradley-Burns Sales and Use Tax to the State in exchange for an equivalent amount of property tax.

Collected at the point of sale, sales tax receipts are remitted to the State Board of Equalization, which allocates tax revenue owed to the City in the form of monthly payments. According to the Bradley-Burns Sales and Use Tax law, cities are to receive one cent of the total 8.25 cent statewide sales tax levied on each dollar of taxable sales. In addition to the Bradley-Burns sales tax, San Diego County voters approved a half-cent supplemental sales tax in 1987 to fund the San Diego Transportation Improvement Program ("TransNet"), resulting in a total countywide sales tax of 8.75%. The TransNet sales tax was renewed in 2008 for an additional 40-year term. Sales tax also includes a half-cent tax approved by California voters in 1993 for the purpose of funding local public safety expenditures. The revenue from this half-cent sales tax, known as the Proposition 172 safety sales tax, is discussed below.

The sales tax revenue for the Fiscal Year 2010 Revised Adopted Budget is $210.1 million, an increase of $4.2 million or 2.0% more than Fiscal Year 2009 actual receipts. Actual sales tax receipts for the first two quarters of Fiscal Year 2010 dropped by 18.2% and 13.4% compared to receipts in the same quarters in Fiscal Year 2009. Declines of 8.0% in the third quarter and 3.0% in the fourth quarter of the current Fiscal Year, compared to the same quarters in Fiscal Year 2009, are projected for the remaining two quarters. The annual projection of sales tax revenues in the Fiscal Year 2010 Mid-Year Monitoring Report is $185.0 million, which represents a decrease of 12.0% from the Fiscal Year 2010 Revised Adopted Budget. The City can provide no assurance that actual sales tax receipts will not be materially less than projected.

Once the State's Economic Recovery Bonds are repaid in full (estimated in Fiscal Year 2011 – 2012 by the California Department of Finance for purposes of the Revised Fiscal Year 2011 Proposed Budget), local governments will no longer receive the property tax reimbursement, but will instead regain the one-quarter-cent sales tax that was diverted to the State by the triple-flip. This shift is different from the MVLF property tax swap which is considered to be a permanent shift of revenues from MVLF to property tax. The State may elect to repay its Economic Recovery Bonds prior to their expected payment date if sales tax revenues are sufficient to support such repayment.

The Fiscal Year 2010 Revised Adopted Budget assumes receipt of $159.2 million in sales tax revenue and $50.9 million in triple flip reimbursements. Such amounts are in addition to $7.1 million in Proposition 172 safety sales tax revenue derived from a half-cent sales tax resulting from the passage statewide of Proposition 172 in November 1993, which must be used solely for local public safety purposes. The Fiscal Year 2010 Safety Sales Tax projection of annual revenue in the Fiscal Year 2010 Mid-Year Monitoring Report is $6.2 million, which is 12% or $825,000 lower than in the Fiscal Year 2010 Revised Adopted Budget. The revised annual projection shown in the Fiscal Year 2010 Mid-Year Monitoring Report for safety sales tax revenue reflects updated growth rates in taxable sales. A weak performance of taxable sales in the local retail sector has affected this revenue source. Safety sales tax receipts follow the same economic trends as sales tax receipts. However, it should be noted that the distribution of safety sales tax revenues to cities is based on a different allocation formula than the distribution of sales tax; therefore, the projections for this revenue do not entirely mirror sales tax revenue. See Official Statement, APPENDIX B—"DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY—Table B-4-1" and "—Table B-4-2" for historic taxable transactions in the City.

Transient Occupancy Tax. The City's transient occupancy tax ("TOT") is levied at 10.5 cents per dollar of the daily room price in hotels and motels used by visitors staying in San Diego for less than 30 consecutive days. The TOT is allocated pursuant to the City Municipal Code, with guidelines provided by the City Council Policy 100-3. Of the 10.5 cents of collected TOT, 4.0 cents shall be applied toward promoting the City as a tourist destination, 5.5 cents shall be applied toward general government purposes and the remaining 1.0 cent to be allocated for any purposes approved by the City Council.

San Diego's local attractions, natural amenities, and proximity to other popular tourist sites continue to make the area a top destination. According to estimates from the San Diego Convention and Visitors Bureau ("CONVIS"), total visitors to San Diego in 2009 totaled 29.6 million, compared to 2008 totals of 31.1 million visitors and the historical high point of 2006, when there was a total of 32.2 million visitors. Although the region remains a popular vacation spot, the economic recession has had a negative effect on tourism over the last two years, and the City can provide no assurance that the continued economic weakness will not have an adverse impact on tourism in San Diego during the next Fiscal Year or for any longer period.

The Fiscal Year 2010 Revised Adopted Budget assumes continued decline in San Diego's visitor industry in calendar year 2010. Total TOT revenue included in the Fiscal Year 2010 Revised Adopted Budget is $144.9 million, of which $76.2 million is allocated to the General Fund, and the remaining revenue is allocated to the Special Promotional Programs. General Fund TOT revenue represents 6.8% of the Fiscal Year 2010 Revised Adopted Budget. The Citywide projection of total annual TOT in the Fiscal Year 2010 Mid-Year Monitoring Report is $126.2 million, with $66.1 million allocated to the General Fund, which is a 13.2% or $10.1 million decrease from the corresponding amount in the Fiscal Year 2010 Revised Adopted Budget. TOT revenue, along with sales tax revenues, has been adversely affected by the decline in business and discretionary consumer spending. Both business and leisure travel have declined significantly since the onset of the recession in December 2007. While spending on travel and tourism are still on the decline, the San Diego tourism outlook is slowly improving according to recent information from the CONVIS. The current projection for TOT revenue is based on the mixed forecast for the two main factors that drive revenue levels: room demand and the average daily room rate ("ADR"). A forecasted increase in room demand for the final two quarters of Fiscal Year 2010 (of 0.7% and 1.6%) is tempered by a forecasted decrease in ADR for the same period (3.7% and 1.5%). This decrease in room rates offsets any gains in revenue that the forecasted increase in demand would generate, resulting in the current forecast roughly equal to the Fiscal Year 2010 Revised Adopted Budget. The City projects a slow recovery in tourism spending. See APPENDIX B—"DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY—Table B-6" for historical transient occupancy tax data.

Franchise Fees. General Fund franchise fees represent 6.6% of the Fiscal Year 2010 Revised Adopted Budget. Franchise fees revenue results from agreements with private utility companies in exchange for the City's rights-of-way. Currently, SDG&E, Cox Communications, Time Warner Cable, and AT&T are the primary sources of franchise revenue to the City. In addition, the City collects franchise fees from private refuse haulers that conduct business within its borders. Based on actual revenues being lower than projected and current trends in the refuse collection and cable television revenue through the first nine months of Fiscal Year 2010, the current projected General Fund annual franchise fee revenue for Fiscal Year 2010 has been adjusted downward by $7.5 million from the Fiscal Year 2010 Revised Adopted Budget, primarily due to declines in refuse haulers fee revenue and franchise fees from SDG&E.

SDG&E, the single largest contributor of franchise fee revenue, is charged 3.0% of the gross sales of gas and electricity within the City. In addition, the City receives a 3.5% surcharge on SDG&E's electricity sales for the undergrounding of electric utility lines that was approved by the California Public Utilities Commission in December 2002. The City also generates revenue by collecting 5.0% of gross revenues from Cox Communications, Time Warner Cable, and AT&T. Refuse hauler fees are imposed on private refuse haulers depending on tonnage per year: Class I haulers (less than 75,000 tons per year) or Class II haulers (more than 75,000 tons per year).

San Diego Gas & Electric. The Fiscal Year 2010 Revised Adopted Budget was based on projected revenue from SDG&E franchise fees of $55.2 million (Citywide), reflecting 2.8% growth over the Fiscal Year 2009 actual receipts. This annual projection of franchise fee revenue has currently been revised downward by $5.4 million Citywide (or $4.1 million for the General Fund) due to actual receipts from SDG&E in Fiscal Year 2010. In accordance with the City Charter, 25.0% of revenue received from SDG&E is to be deposited into the Environmental Growth Fund ("EGF"). Pursuant to the City Charter and City Council policy one-third of the EGF is used to finance the maintenance of parks and the remaining two-thirds are used for the annual interest payments for debt service on open space acquisition bonds, if any, and parkland maintenance. The remaining revenue balance received from SDG&E franchise fees is allocated to the General Fund.

Cable Companies. The Fiscal Year 2010 Revised Adopted Budget was based on projected revenue for Fiscal Year 2010 from cable franchise fees of $18.1 million. This is a 7.3% growth rate over Fiscal Year 2009 actual receipts. The majority of cable franchise fees are from Cox Communications and Time Warner Cable. Franchise fee revenue from AT&T, which the City began receiving in Fiscal Year 2008 when the company started providing services, has grown steadily for the past two years and is expected to grow as the company continues to expand in the San Diego market. The Fiscal Year 2010 Mid-Year Budget Monitoring Report projected lower than anticipated revenue from cable television franchise fees of $1.1 million from the Fiscal Year 2010 Revised Adopted Budget. The annual projection of franchise fee revenue for Fiscal Year 2010 has been revised upward by $0.2 million from the projection in the Fiscal Year 2010 Mid-Year Budget Monitoring Report, due to actual cable franchise fee receipts in Fiscal Year 2010. This revised projection of annual franchise fee revenue for Fiscal Year 2010 is $17.2 million, or $0.9 million less than the Fiscal Year 2010 Revised Adopted Budget.

Refuse Haulers and Other Franchises. Revenue from private refuse haulers is based on the total amount of refuse hauled annually. The City's Fiscal Year 2010 Revised Adopted Budget for refuse hauler revenues is $11.3 million, a $3.4 million or 42.2% increase from the Fiscal Year 2009 actual receipts. The large increase from the Fiscal Year 2009 actual receipts is due to an approved fee increase of $4 per ton in the City's Non-Exclusive Solid Waste Collection Franchise Fee for Class I and Class II refuse haulers. The Fiscal Year 2010 Mid-Year Budget Monitoring Report projected lower than anticipated revenue from refuse collection of $2.5 million from the Fiscal Year 2010 Revised Adopted Budget. In addition, this category also includes franchise fees from the Sycamore Facility in the amount of $2.6 million and other minor miscellaneous franchise fees. The total revenue for the Refuse Haulers and Other Franchises category is $14.2 million.

Reserves

City Charter Section 91 titled "General Reserve Fund" was approved by the voters on November 6, 1962. This section requires City Council to create and maintain a General Reserve Fund for the purpose of keeping the payment of running expenses of the City on a cash basis. Section 91 requires that the reserve be maintained 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 Council approved a "City Reserve Policy" on July 29, 2008 which defined the General Fund Reserve. The General Fund Reserve includes the Emergency Reserve, Appropriated Reserve and Unappropriated Reserve described as follows.

The Emergency Reserve shall contain an amount no less than 5% of annual General Fund revenues. Emergency Reserve funds are only to be used in the case of a natural disaster or unforeseen catastrophic event caused by human activity, such as a terrorist attack. The Emergency Reserve should not be accessed to meet operating shortfalls or to fund new programs or personnel; although Emergency Reserve funds in excess of the reserve level may be re-appropriated by City Council action. This reserve may be expended only in the event of a public emergency, as determined by a two-thirds vote of the City Council, when such expenditures are necessary in order to ensure the safety, lives, and property of the City or its inhabitants. The City has not to date drawn on its emergency reserves.

The funds dedicated to the Appropriated Reserve are appropriated to a single account within the General Fund annual budget and do not conform to a maximum or minimum amount in any given Fiscal Year. Funds left unexpended in a given Fiscal Year return to the General Fund's Unappropriated Reserve balance and may then be re-appropriated in the subsequent Fiscal Year.

An Unappropriated Reserve is maintained to support General Fund operations in the event of unanticipated requirement for additional appropriations where the use of the Emergency Reserves would not be appropriate. Should the funds in the Appropriated Reserve be exhausted in a Fiscal Year, the Unappropriated Reserve may be used. Recommendations to appropriate these funds would be brought forward by the Mayor or the City Council and would require approval by a majority of the City Council.

The City's Reserve Policy defines a goal of having a minimum of 8% of annual General Fund revenues held in General Fund reserves no later than Fiscal Year 2012. For Fiscal Year 2010 the Reserve Policy calls for 7% of General Fund revenues to be held in the General Fund Reserve at the end of the Fiscal Year 2010.

The Fiscal Year 2011 Proposed General Fund Budget adopted by City Council in December 2009 includes a one-year suspension of the additional planned contributions to the

General Fund, Public Liability and Workers Compensation reserves to reach reserve levels outlined in the current City Reserve Policy. As a result of this budgetary action, the City plans to maintain a 7% General Fund reserve level for Fiscal Year 2010 through Fiscal Year 2011 instead of increasing reserves to 7.5% by the end of Fiscal Year 2011. The Fiscal Year 2011 Revised Proposed General Fund Budget General Fund reserve goal for Fiscal Year 2012 is 7.5% and 8.0% thereafter.

The Workers' Compensation reserves are maintained as a contingency in the event the annual expense for claims exceeds the annual "pay-go" budgeted amount. The Fiscal Year 2010 Revised Adopted Budget includes a contribution of $20.6 million for the pay-as-you-go payment of Workers' Compensation claims, as well as a $5.0 million contribution to reserves to achieve the City's reserves target of 22% of outstanding claims liability, as specified in the City's Reserve Policy. The $5.0 million contribution to the Workers' Compensation Reserve in Fiscal Year 2010 increases the reserve level to $34.3 million. Pursuant to the Revised Fiscal Year 2011-2015 Five Year Outlook, the Workers' Compensation Fund contributions have been smoothed over seven years (staring in Fiscal Year 2012) to achieve a reserve level equal to 50% of current estimated outstanding workers' compensation obligations by 2018. The Fiscal Year 2011 Proposed General Fund Budget does not include additional funding for the Workers' Compensation reserves in Fiscal Year 2011. The 22% reserves level projected for Fiscal Year 2010 will be maintained in Fiscal Year 2011 instead of reaching 30% as projected in the City's Fiscal Year 2011-15 Five-Year Financial Outlook. See "RISK MANAGEMENT — Workers' Compensation and Long-Term Disability" herein.

The City's Fiscal Year 2011-15 Five-Year Financial Outlook had also projected increased funding for the Public Liability Fund Reserve. These reserves are maintained to fund self-insured retention expenses related to the fund that may exceed the amounts budgeted for the annual estimated claims expense. The Fiscal Year 2010 Revised Adopted Budget includes $7.1 million to build the Public Liability Fund Reserve, an amount that is in addition to the annual pay-as-you-go allocation of $18.0 million, for a total budgeted amount of $25.1 million. The Fiscal Year 2010 target for the Public Liability Reserve is 15.0% of outstanding claims value according to the City's current Reserve Policy. The $7.1 million contribution in Fiscal Year 2010 to the Public Liability Reserve increases the reserve level to $17.1 million. The Fiscal Year 2011 Proposed General Fund Budget does not include additional funding for the Public Liability Reserve in Fiscal Year 2011 and the 15% reserve level is expected to be maintained in Fiscal Year 2011 instead of reaching a 25.0% amount targeted in the City's Fiscal Year 2011-15 Five-Year Financial Outlook. Pursuant to the Revised Fiscal Year 2011-2015 Five Year Outlook, the Public Liability Fund contributions have been smoothed over seven years (staring in Fiscal Year 2012) to achieve a reserve level equal to 50% of current estimated outstanding public liability obligations by Fiscal Year 2018. See "RISK MANAGEMENT — Public Liability Insurance" herein.

State Budget

The following information concerning the State's budget has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, www.govbud.dof.ca.gov under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each Web site and not by the City, and the City can take no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

The State of California is experiencing significant financial and budgetary stress. State budgets are affected by national and State economic conditions and other factors over which the City has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget.

On-going weak economic conditions have resulted in significant revenue shortfalls to the State, and various budget actions were required throughout the past year to address these shortfalls. Following lengthy budget negotiations, on February 19, 2009, the State Legislature passed revisions to the State Budget Act for the remainder of Fiscal Year 2009, as well as adopted the State Budget Act for Fiscal Year 2010 and related legislation, which the Governor signed on February 20, 2009 after making some line-item vetoes. Balancing the State's budget relied upon a combination of temporary and permanent measures, totaling $41.6 billion for the remainder of Fiscal Year 2009 and for Fiscal Year 2010.

The Fiscal Years 2009 and 2010 State Budget Acts included approximately $6 billion of revenue measures that were subject to voter-approval. These measures were defeated at a State-wide special election held on May 19, 2009.

The Governor released the Fiscal Year 2010 May Revision in 2009 and subsequent updates that contained proposals to address a $24.3 billion projected shortfall. On July 1, 2009, the State Department of Finance increased its estimate of the State budget shortfall to $26.3 billion. On July 24, 2009 the Legislature adopted a Fiscal Year 2010 State budget that addressed approximately $24 billion of the shortfall. This new budget legislation was signed, incorporating a number of line item vetoes. Subsequent "clean up" legislation was adopted in September.

Among the measures implemented to balance the State's Fiscal Year 2010 Budget was a borrowing by the State of up to 8% of local government property tax revenues as allowed under the State Constitution. (See "LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 1A," herein.)

On January 8, 2010, Governor Schwarzenegger released the Proposed Fiscal Year 2011 Budget, which stated that, without corrective action, the State faced a budget gap of $19.9 billion in Fiscal Year 2011, comprised of a Fiscal Year 2010 Budget shortfall of $6.6 billion, a budget year shortfall of $12.3 billion, and a modest reserve of $1 billion. The State's Proposed Fiscal Year 2011 Budget indicates that various factors have contributed to the increase in the State's projected Fiscal Year 2011 deficit from $6.9 billion since the Fiscal Year 2010 budget was enacted, including, revenue estimates being $3.4 billion lower than projected, federal and State court decisions reducing budget solutions adopted previously by $4.9 billion, erosions of previous solutions contributing $2.3 billion, and population and caseload growth adding $1.4 billion in costs.

The State's Proposed Fiscal Year 2011 Budget proposes a combination of spending reductions ($8.5 billion), alternative funding ($3.9 billion), fund shifts ($572 million) and additional federal funds ($6.9 billion) to close the $19.9 billion budget shortfall. The Governor has declared a fiscal emergency and called the Legislature into Special Session in order to close the budget gap as soon as possible. The State's Proposed Fiscal Year 2011 Budget proposal includes solutions for action in the Special Session that will close $8.9 billion of the budget gap. It also includes expenditure reductions which would become effective in the event that expected federal funding increases do not materialize. Delays in the adoption of these proposals until the enactment of the State's 2011 Budget would result in the loss of a significant portion of the proposed budgetary solutions and thereby necessitate even deeper cuts in Fiscal Year 2011. During the special session, which ended March 11, 2010, the Legislature adopted and sent to the Governor legislation intended to reduce the budget gap by approximately $3.2 billion, a portion of which (intended to provide $2.1 billion in savings), the Governor vetoed. The Governor has indicated he will not sign another portion of the legislation in its current form (providing for the elimination of sales taxes on gasoline together with an increase in excise taxes), which was intended to provide $1.1 billion in savings.

In addition, the Governor signed into law budget-related bills providing for more than $200 million of General Fund relief. The Governor encouraged the Legislature to continue work to enact spending reductions. The Governor intends to work with the legislature on additional measures to address the projected budget shortfall for the current and next fiscal years. It is expected that the Legislature will consider additional budget measures during the current legislative session.

The State Department of Finance's most current monthly bulletin for April 2010 forecast shows receipts of State preliminary General Fund agency cash for March 2010 was $670 million above the Fiscal Year 2011 Governor's Budget forecast of $5.837 billion.

On May 14, 2010, the Governor released the May Revision to the 2011 State Budget (together with the contingency proposals referenced therein, the "2010 May Revision"), which projects a budget deficit of $19.1 billion through Fiscal Year 2011, consisting of a $7.7 billion deficit for Fiscal Year 2010, a $10.2 billion deficit for Fiscal Year 2011 and a reserve of $1.2 billion. The 2010 May Revision proposes to address these deficits through additional borrowings and approximately $12.4 billion in program reductions. The 2010 May Revision estimates Fiscal Year 2010 revenues and transfers of $86.521 billion, total expenditures of $86.465 billion and a year-end deficit of $5.305 billion, which includes a $5.361 billion prior-year State General Fund deficit and an allocation of $1.537 billion to the reserve for the liquidation of encumbrances. The 2010 May Revision projects Fiscal Year 2011 revenues and transfers of $91.451 billion, total expenditures of $83.404 billion and a year-end surplus of $2.742 billion (net of the $5.305 billion deficit from Fiscal Year 2010), of which $1.537 billion will be reserved for the liquidation of encumbrances and $1.205 billion will be deposited in a reserve for economic uncertainties. The 2010 May Revision indicates that the economic recovery will be moderate and prolonged as compared to historical standards.

On May 18, 2010, the California Legislative Analyst's Office (the "LAO") released an analysis of the May Revision to the State's Proposed Fiscal Year 2011 Budget entitled "The 2010-11 Budget: Overview of the May Revision" (the "LAO May Overview"). The LAO May Overview states that the economic and revenue forecasts and assessments of the State's budgetary problems set forth in the May Revision are reasonable and realistic in light of the effects of the economic slowdown throughout the United States. The LAO projects that the proposals set forth in the May Revision to the State's Proposed Fiscal Year 2011 Budget are sufficient to eliminate the estimated $17.9 billion deficit in Fiscal Year 2011 and provide a State General Fund reserve in the amount of $1.2 billion. However, the LAO estimates that the budgetary measures included in the May Revision will reduce but not eliminate annual operating shortfalls through at least Fiscal Year 2015.

The LAO May Overview states that the May Revision relies on a number of proposals that could result in a General Fund reserve at the end of Fiscal Year 2010 of $1.2 billion, but that the largest proposals carry the largest risks. The LAO also notes that proposals such as the elimination of CalWORKs and State child care funding could result in significant reductions in federal funding for the State. The LAO recommends that the State Legislature develop contingency plans in the event certain ballot measures and initiatives scheduled for the November 2010 election affect the State Legislature's budget plans. The LAO May Overview states that the State Legislature will face significant challenges to address the State's ongoing structural mismatch between revenues and spending for future years. The LAO May Overview reiterated that the State Legislature should look to long-term solutions and alternatives to balance the State's finances, such as implementing delays in previously scheduled tax reductions or expirations, eliminating lower priority tax expenditure programs, increasing fees for General Fund services and adopting targeted tax increases.

Several of the components of the State's budget are subject to legal challenge and on October 20, 2009, the California Redevelopment Agency announced that it had filed a lawsuit in Sacramento Superior Court to stop a $2.06 billion shift from redevelopment funds to the State.

See “CITY GOVERNMENT AND FINANCIAL INFORMATION – Fiscal Year 2011 Proposed General Fund Budget and Revised Fiscal Year 2011 Proposed Budget – Fiscal Year 2010 and 2011 State Budget Impacts” herein for a description of the State budget’s impact on the City.

LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

Section 1(a) of Article XIIIA of the California Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIIIA), to be collected by each county and apportioned among the county and other public agencies and funds according to law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (a) indebtedness approved by the voters prior to July 1, 1978, or (b) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition. Section 2 of Article III A defines “full cash value” to mean “the County Assessor’s valuation of real property as shown on the 1975/76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year or to reflect a reduction in the consumer price index or comparable data for the area under the taxing jurisdiction, or reduced in the event of declining property values caused by substantial damage, destruction, or other factors. Legislation enacted by the State Legislature to implement Article XIIIA provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

In addition, legislation enacted by the California Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value.

On June 3, 1986, California voters approved an amendment to Article XIIIA, which added an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property. Later amendments allow for property tax increases to pay for certain school district general obligation bonds approved by 55% of those voting in a local election.

In the June 1990 election, the voters of the State approved amendments to Article XIIIA permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for a replacement dwelling purchase or newly constructed on or after June 5, 1990, and to exclude from the definition of "new construction" triggering reassessment improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters of the State approved an amendment of Article XIIIA to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990. Since 1990, the voters have approved several other minor exemptions from the reassessment provisions of Article XIIIA.

Article XIIIB of the California Constitution

Article XIIIB of the California Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population, and services for which the fiscal responsibility is shifted to or from the governmental entity. The "base year" for establishing this appropriations limit is Fiscal Year 1979 and the limit is adjusted annually to reflect changes in population, consumer prices and certain increases or decreases in the cost of services provided by these public agencies.

Appropriations of an entity of local government subject to Article XIIIB generally include any authorizations to expend during a fiscal year the proceeds of taxes levied by or for the entity, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of Taxes" include, but are not limited to, all tax revenues, most State subventions and the proceeds to the local government entity from (a) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost reasonably borne by such entity) and (b) the investment of tax revenues. Article XIIIB provides that if a governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two years.

Article XIIIB does not limit the appropriation of money to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose.

In the June 1990 election, the voters of the State approved Proposition 111, which amended the method of calculating State and local appropriations limits. Proposition 111 made several changes to Article XIIIB, three of which are reflected in the City's annual computation of its appropriation limit. First, the term "change in the cost of living" was redefined as the change in the California per capita personal income ("CPCPI") from the preceding year. Previously the lower of the CPCPI or the United States Consumer Price Index was used.

Second, the appropriations limit for the fiscal year was recomputed by adjusting the Fiscal Year 1987 limit by the CPCPI for the three subsequent years. Third, Proposition 111 excluded appropriation for "all qualified capital outlay projects, as defined by the Legislature" from the definition of "appropriations subject to limitation."

Article XIIIB allows voters to approve a temporary waiver of a government's Article XIIIB limit. Such a waiver is often referred to as a "Gann limit waiver." The length of any such waiver is limited to four years. San Diego voters have approved two four-year Gann limit waivers in the past, the last expiring in 1999. The City's appropriations limit for Fiscal Year 2010 is established at $1,392,023,944. Using the Fiscal Year 2010 Original Adopted Budget, the appropriations subject to the limit (i.e., proceeds of taxes, excluding debt service on voter-approved debt and qualified capital outlays) were calculated to be $760.1 million, which was $632.0 million lower than the Gann Limit. The impact of the appropriations limit on the City's financial needs in the future is unknown but the City does not expect its appropriations limit for Fiscal Year 2011 to operate to limit its appropriations subject to limitation for such year.

Articles XIIIC and XIIID (Proposition 218) of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIIIC and XIIID to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIIIC. Section 1 of Article XIIIC requires majority voter approval for the imposition, extension or increase of general taxes and Section 2 thereof requires two thirds voter approval for the imposition, extension or increase of special taxes. These voter approval requirements of Article XIIIC reduce the flexibility of the City to raise revenues by the levy of general or special taxes and, given such voter approval requirements, no assurance can be given that the City will be able to enact, impose, extend or increase any such taxes in the future to meet increased expenditure requirements.

Although a portion of the City's General Fund revenues are derived from general taxes purported to be governed by Proposition 218, all of such taxes were either imposed, extended or increased prior to the effective date of Proposition 218 or in accordance with the requirements of Proposition 218. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges, such as the TOT, Proposition 172 revenues, or storm water fees which support the City's General Fund. TOT and other local taxes, assessments, fees and charges, could be subject to reduction or repeal by initiative under Proposition 218.

Section 3 of Article XIIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges that had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIIIC to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 1996.

"Fees" and "charges" are not expressly defined in Article XIIIC or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIIIC and Article XIIID ("SB 919"). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the *"Bighorn Decision"*) that charges for ongoing water delivery are property-related fees and charges within the meaning of Article XIIID and are also fees or charges within the meaning of Section 3 of Article XIIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIIC.

In the *Bighorn Decision*, the Supreme Court did state that nothing in Section 3 of Article XIIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the *Bighorn Decision* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water and wastewater service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution.

Article XIIIC also removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. "Assessments," "fees" and "charges" are not defined in Article XIIIC, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIIIC as for Article XIIID described above. If not, the scope of the initiative power under Article XIIIC potentially could include any General Fund local tax, assessment, or fee not received from or imposed by the federal or State government or derived from investment income.

If the City is unable to continue to collect assessment revenues for a particular program, the program might have to be curtailed and/or funded by the City's General Fund. Given the approval requirements imposed by Article XIIID, the City is unable to predict whether it will be able to continue to collect assessment revenues for these programs. If the City chose to fund any such programs from the General Fund instead, the General Fund budget would be affected.

Article XIIID. Article XIIID defines a "fee" or "charge" as any levy other than an ad valorem tax, special tax, or assessment imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A "property-related service" is defined as "a public service having a direct relationship to a property ownership" herein. In the Bighorn Decision, the California Supreme Court held that a public water agency's charges for ongoing water delivery are fees and charges within the meaning of Article XIIID. Article XIIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, the local government's ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIIID also includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Depending on the interpretation of what constitutes a "property related fee" under Article XIIID, there could be future restrictions on the ability of the City's General Fund to charge its enterprise funds for various services provided. In the event that fees and charges of enterprise funds cannot be appropriately increased or are reduced pursuant to exercise of the initiative power, the City may have to decide whether to supplement any deficiencies in these enterprise funds with moneys from the General Fund or to curtail service, or both.

The City believes its current water and wastewater rates materially comply with the notice and substantive provisions of Article XIIID.

The interpretation and application of Proposition 218 will ultimately be determined by the courts or through implementing legislation with respect to a number of the matters described above, and it is not possible at this time to predict with certainty the outcome of such determination or the nature or scope of any such legislation.

In addition to the enterprise funds discussed above, the City's storm water program currently is funded partially with fees, but primarily from the General Fund. The City is a co-permittee under a National Pollution Discharge Elimination System Permit ("NPDES Permit") for its storm water program. Pursuant to the NPDES Permit, the City is obligated to undertake substantial capital improvements and implement new operations and maintenance procedures for its storm water program ("NPDES Permit Requirements"). If the City is not able to or chooses not to increase its storm water fees to pay for the NPDES Permit Requirements, or if such fees are reduced pursuant to the exercise of the initiative power under Article XIIIC, the City will have to identify a plan of finance for same. Such plan of finance may include General Fund moneys not previously identified. Compliance with the NPDES Permit has created a significant impact on the City's General Fund budget, and the management of the permit is a budget priority under the City's Five Year Financial Outlook. Functions include storm water pollution prevention, street sweeping, and storm drains. The Storm Water Department Fiscal Year 2010 Original Adopted Budget is $37.7 million, which was reduced to $36.1 million following a mid-year adjustment. The Storm Water Department is projected to end Fiscal Year 2010 with $6.7 million, or 18%, of expenditures over budget. The projected expenditure variance is associated with the carry forward encumbrances for storm water related contracts and is offset by the release of prior year appropriations to the General Fund reserve. In Fiscal Year 2011 the City will continue to fund programs in accordance with the permit regulations by including $35.2 million in the Fiscal Year 2011 Proposed General Fund Budget.

Both Articles XIIIA and XIIIB, as well as Articles XIIIC and XIIID described above, were adopted as measures that qualified for the ballot pursuant to California's constitutional initiative process. From time to time other initiative measures could be adopted, affecting the ability of the City to increase revenues and to increase appropriations.

Statutory Spending Limitations

A statutory initiative ("Proposition 62") was adopted by the voters of the State at the November 4, 1986, General Election which, among other things (a) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by a two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity, and (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within the jurisdiction.

In *Santa Clara County Local Transportation Authority v. Guardino,* 11 Cal. 4th 220 (1995) (the "*Santa Clara* decision"), the California Supreme Court upheld a Court of Appeal decision invalidating a one-half cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote for the levy of a "special tax" as required by Proposition

62. The *Santa Clara* decision did not address the question of whether it should be applied retroactively. In *McBrearty v City of Brawley* 59 Cal. App. 4th 1441 (1997), the Fourth District Court of Appeal concluded that the *Santa Clara* decision is to be applied retroactively to require voter approval of taxes enacted after the adoption of Proposition 62 but before the *Santa Clara* decision.

The *Santa Clara* decision also did not decide, and the California Supreme Court has not otherwise decided, whether Proposition 62 applies to charter cities. The City is a charter city. Cases decided by the California Court of Appeals have held that the voter approval requirements of Proposition 62 do not apply to certain taxes imposed by charter cities. See, *Fielder v City of Los Angeles* 14 Cal. 4th 137 (1993) and *Fisher v County of Alameda* 20 Cal. App. 4th 120 (1993).

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. Since it is a statute, it is subordinate to the authority of charter cities, derived from the State Constitution, to impose taxes. Proposition 218 (discussed above), however, incorporates the voter approval requirements initially imposed by Proposition 62 into the State Constitution.

While, as of the date of the Official Statement, the City Attorney believes that the provisions of Proposition 62 do not apply to charter cities, this position may be the subject of future litigation and the City Attorney can give no assurance that this position will be upheld if properly challenged. If ultimately found valid and applicable to charter cities, Proposition 62 could adversely affect the ability of the City to continue the imposition of certain taxes, such as its TOT, and may further restrict the City's ability to raise revenue and the impact on future budgets could be material.

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature, or (iv) decrease Vehicle License Fees revenues without providing local governments with equal replacement funding. Beginning in Fiscal Year 2009, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years from the borrowing. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A can be suspended with the declaration of a fiscal emergency by the Governor and the approval of two-thirds of the Legislature. The State legislature suspended the requirements of Proposition 1A (2004) in an effort to balance the State's Fiscal Year 2010 budget. In Fiscal Year 2010, the State has borrowed approximately $1.9 billion in property tax revenue from local jurisdictions to help balance the State budget; the City's share of this is approximately $35.8 million. However, the City has recovered this property tax revenue during Fiscal Year 2010 through a securitization program of the California Statewide Communities Development Authority. See "State Budget" above.

The State Constitution indicates that the property tax protection provisions of Proposition 1A cannot be suspended more than twice in a 10-year period (the first year begins with the first suspension). Further, the State cannot suspend Proposition 1A until all previous loans are paid in full. The State Constitution requires that the State provide repayment of the property tax revenue borrowed from local jurisdictions within a three-year period. ABX4 15 sets the repayment deadline for the property tax revenues borrowed from local jurisdictions in Fiscal Year 2010 at June 30, 2013.

Proposition 1A may, in some circumstances, result in decreased resources being available for State programs. The decreased resources in turn, could affect actions taken by the State to resolve budget difficulties. Such actions have recently included increasing State taxes, and could include decreasing spending on other state programs or other actions, some of which could be adverse to the City. While Proposition 1A provides some protection to the City from the State taking of property tax, sales tax and vehicle license fees, there are certain significant issues that relate to sources of funds not covered by Proposition 1A and to the statutory relationships between the State and San Diego County. Impacts to the City's budget that are controlled by the State and County include property tax administration fees, booking fees and the SB 172 allocation.

Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 62 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State and the City to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

LABOR RELATIONS; SDCERS; OTHER POSTEMPLOYMENT BENEFITS

Labor Relations

General. The City has five labor organizations which represent classified employees. They are the International Association of Firefighters Local 145 ("IAFF Local 145"), the San

Diego Police Officers Association (the "POA"), the Municipal Employees Association (the "MEA"), the American Federation of State, County and Municipal Employees, Local 127 ("AFSCME Local 127"), and the California Teamsters Local 911 ("Teamsters Local 911"), who represent lifeguards. A sixth labor organization, the Deputy City Attorneys' Association (the "DCAA"), represents unclassified deputy city attorneys.

As of March 12, 2010, AFSCME Local 127 represented approximately 1,808 employees; MEA represented approximately 4,859 employees; POA represented approximately 1,854 employees; IAFF Local 145 represented approximately 864 employees; DCAA represented approximately 136; and Teamsters Local 911 represented approximately 285 employees.

Contracts for Fiscal Year 2010 through 2011. On April 14, 2009, the City Council unanimously approved the terms of the labor agreements for Fiscal Years 2010 and 2011 for the MEA, the IAFF Local 145 and the DCAA. Negotiations with the remaining two bargaining units, AFSCME Local 127 and the POA, did not end in agreement. The City Council imposed on both unions the terms and conditions of employment contained in the Mayor's last, best and final offer for Fiscal Year 2010. Pursuant to the labor agreements for the bargaining units and the terms and conditions approved for AFSCME Local 127 and POA, all five bargaining units and the City's unclassified and unrepresented employees were held to a general salary freeze and subject to a 6% reduction in overall compensation, which was effected through salary reductions, decreases in the City-paid allotment for employee health care, retirement and other employment benefits, fewer paid holidays, mandatory furloughs and elimination of the employer contribution to San Diego City Employees' Retirement System employee pickup/offset and to the mandatory match of the supplemental pension savings plan. Each bargaining unit reached the 6% target through a different combination of the aforementioned measures. The compensation reductions also apply to management and unrepresented City employees, including the Mayor, his staff, and some independent departments. Departments not under the Mayor, including some City Council offices, did not participate in some or all of the compensation reductions.

Contracts for Fiscal Year 2011 and 2012. The City has reached tentative agreements with the POA, AFSCME Local 127 and Teamsters Local 911for Fiscal Years 2011 and 2012. The contracts call for a continuation of the 6% reduction in overall compensation. There are no salary increases contained in the agreements.

San Diego City Employees' Retirement System

The City faces significant financial challenges in addressing an unfunded pension liability to SDCERS, which, as of June 30, 2009, was approximately $2.106 billion. The challenges posed by the unfunded pension liability are significant and, together with significant costs related to postemployment healthcare benefits, pose a threat to the future fiscal health of the City.

The amounts and percentages set forth under this caption relating to the City's Pension System, including, for example, actuarial accrued liabilities and funded ratios, are based upon numerous *demographic and economic assumptions, including investment return rates, inflation rates, salary increase rates, cost of living adjustments, postemployment mortality, active member mortality, and rates of retirement. The prospective purchasers of the Series 2010A Bonds are cautioned to review and carefully assess the reasonableness of the assumptions set forth in the documents that are cited as the sources for the information under this caption. In addition, the prospective purchasers of the Series 2010A Bonds are cautioned that such sources and the underlying assumptions speak as of their respective dates, and are subject to change, any one of which could cause a significant change in the UAAL (as defined below).*

SDCERS is considered part of the City's financial reporting entity and is included in the City's CAFR as a pension system trust fund. SDCERS does prepare its own CAFR, the most recent of which is for Fiscal Year 2009.

UAAL and its Calculation. According to the June 30, 2009 Annual Actuarial Valuation of SDCERS, prepared by Cheiron, Inc. ("Cheiron") dated as of January 8, 2010 (the "2009 Valuation"), the funded ratio (the actuarial value of assets available for benefits to total actuarial accrued liability) of the City's portion of the SDCERS fund was 66.5%, and the SDCERS fund had an unfunded actuarial accrued liability (the "UAAL") of $2.106 billion. Thus, for every dollar of benefits due (all vested liabilities), SDCERS had $.66 in assets available for payment as of June 30, 2009. The UAAL is the difference between total actuarially accrued liabilities (the "AAL"), which was approximately $6.282 billion as of June 30, 2009, and actuarially calculated assets allocated to funding, which was approximately $4.175 billion as of June 30, 2009.

Global financial markets experienced significant volatility in Fiscal Year 2009 and SDCERS experienced an actuarial investment loss of $811.4 million in the City's plan during that period. According to the City's June 30, 2008 Annual Actuarial Valuation (the "2008 Valuation") and the 2009 Valuation, the actuarial value of assets (City's portion) as of June 30, 2008 and June 30, 2009 were respectively $4.660 billion and $4.175 billion. The market value of assets (City's portion) as of June 30, 2008 and June 30, 2009, as reported in the 2008 Valuation and the 2009 Valuation, respectively, were $4.409 billion and $3.479 billion. A decline in the actuarial value of assets over time will result in an increase to the City's ARC in comparison to the amounts estimated in the Revised Fiscal Year 2011-2015 Five-Year Financial Outlook

Actuarial Assumptions. The following are the principal actuarial assumptions used by SDCERS' actuary in preparing the valuation as of June 30, 2009:

1. Investment Return Rate: 7.75% a year, net of administrative expenses, compounded annually.
2. Inflation Rate: 4.00% a year, compounded annually.
3. Interest Credited to Member Contributions: 7.75% compounded annually.
4. Salary Increase Rates: Comprised of a 4.00% inflation rate and 0.5% to 8.0% merit component.
5. Annual Cost-of-Living Adjustments: 2.00% per year, compounded annually.

6. Additional Assumptions: Additional assumptions were used regarding rates of separation from active membership, post-retirement mortality, active member mortality and rates of retirement.

"Smoothing" Methodology. In determining the actuarial value of its assets, SDCERS, as permitted by applicable actuarial guidelines, uses an expected value of assets "smoothing" methodology to reduce the impact of market volatility on plan assets. The market value of assets represents, as of the valuation date, the value of the assets as if they were liquidated on that date. The actuarial value of assets is a value that attempts to smooth annual investment return performance over multiple years to reduce annual contribution volatility. The actuarial value of assets is used to determine SDCERS' contribution rates for the City. As of June 30, 2009, the market value of plan assets was $3.479 billion, and the actuarial value was $4.175 billion. By the smoothing method used in the 2009 Valuation, the calculation of the actuarial value of assets at June 30, 2009 started with the actuarial value of assets at June 30, 2008, added to that 100% of the actuarially assumed rate of return, plus the contribution towards plan assets, less payments out from plan assets, plus 25% of the difference between the expected actuarial value of assets at June 30, 2009 (using the above calculation) and the actual market value of assets at June 30, 2009. In no event will the actuarial value of assets ever be less than 80% of the market value of assets nor greater than 120% of the market value of assets. The impact of this smoothing methodology will vary each year depending upon the year's actual market value compared to the expected value of assets, either as a net gain or a net loss. The City expects SDCERS to employ the smoothing method used in the 2009 Valuation to valuations for future fiscal years. As a result of the smoothing methodology, even a healthy increase in the market value of the SDCERS' plan assets as of June 30, 2010 would have a limited impact on improving the Fiscal Year 2012 ARC. For example, holding all other actuarial assumptions constant, an annual investment return of 25% for Fiscal Year 2010 is estimated to result in an ARC of $244.2 million on a citywide basis for Fiscal Year 2012 (compared to an ARC of $231.7 million for Fiscal Year 2011). This is primarily due to the fact that because of the smoothing methodology approximately 45% of Fiscal Year 2009's market loss has yet to be captured in future ARC calculations and only 25% of any Fiscal Year 2010 gains will be included in the Fiscal Year 2012 ARC calculation.

City Contributions to SDCERS. The City's ARC consists of: (i) the "normal cost," being the present value of the benefits that SDCERS expects to become payable in the future attributable to a current year's employment, and (ii) payments made to amortize the UAAL. SDCERS currently amortizes the UAAL over several different closed periods: the amortization of changes in the UAAL due to assumption changes is over 30 years, the amortization of changes in the UAAL due to benefit changes is over five years, the outstanding balance of the Fiscal Year 2007 UAAL is amortized over 20 years (such that, as of Fiscal Year 2009, 18 years of amortization remain), and subsequent yearly gains and losses are amortized over 15 years. Finally, if necessary, there is an additional UAAL cost component to ensure that there is no negative amortization in any year, all as approved by the SDCERS Board of Administration in its administrative capacity pursuant to its plenary authority over the Pension System. For several years, the City was paying less than the full ARC. The reasons for this are numerous, including prior agreements between the City and SDCERS, earnings on pension assets at greater than the previous actuarially assumed rate of 8% being credited against contributions, payments pursuant to litigation settlements that were mistakenly characterized as "contingent" and therefore not made in certain years, and other reasons explained in detail in Note 12 to the City's 2009 audited financial statements. See APPENDIX C —"BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SAN DIEGO FOR FISCAL YEAR 2009" attached hereto.

Due to the City's prior practice of funding the Pension System at less than actuarially required levels, the City has a Net Pension Obligation ("NPO"), which is the cumulative difference between the annual pension cost ("Annual Pension Cost") to the City of the Pension System and the actual contribution in a particular year. The Annual Pension Cost is equal to (i) the ARC, (ii) one year's interest on the NPO, and (iii) an adjustment to the ARC to offset, approximately, the amount included in item (i) for amortization of the past contribution deficiencies.

In Fiscal Year 2009, the City's total pension contribution, which includes contributions to both the core pension plan and the Preservation of Benefits ("POB") Plan (referenced in the Fiscal Year 2009 CAFR as the "Preservation of Benefits Plan") was $163.6 million. The City's NPO at the end of Fiscal Year 2009 was $177.8 million. The City's core pension ARC for Fiscal Year 2010, not inclusive of the Preservation of Benefits ARC, is $154.2 million and has been paid in full. The City anticipates contributing $1.4 million to the Preservation of Benefits Plan in Fiscal Year 2010 and $1.5 million to the Preservation of Benefits Plan in Fiscal Year 2011.

Table A-7 below sets forth the City's portion of SDCERS historical funding progress for Fiscal Years 2005 through 2009.

TABLE A-7
CITY OF SAN DIEGO
SCHEDULE OF FUNDING PROGRESS
Fiscal Years 2005 through 2009
($ in thousands)
(unaudited)

Valuation Date (June 30)	*Valuation Assets*	*AAL*	*Funded Ratio*	*UAAL*
2005(1) (2)	$ 2,983,080	$ 4,436,017	67.25%	$ 1,452,937
2006(1)	3,981,932	4,982,700	79.92	1,000,768
2007(3)	4,413,411	5,597,653	78.84	1,184,242
2008	4,660,346	5,963,550	78.15	1,303,204
2009	4,175,229	6,281,593	66.47	2,106,364

(1) Projected Unit Cost method used for determining actuarial accrued liability.
(2) For Fiscal Year 2005, the actuarial accrued liability, the UAAL and the funded ratio have been adjusted to reflect the impact of the Corbett contingent settlement benefit. The actuarial valuation provided by the actuary for Fiscal Year 2005 does not include this contingent benefit in the funded ratio. However, the valuations prepared by the actuary for Fiscal Years 2006 through Fiscal Year 2009 do include the impact of the Corbett contingent settlement benefit. See Note 12 to the CAFR for Fiscal Year 2009 attached hereto as Appendix C.
(3) Reflects revised actuarial methodologies. The actuarial accrued liability was calculated using the Entry Age Normal method beginning in Fiscal Year 2007. Prior to Fiscal Year 2007, the Projected Unit Cost method was used.

Source: Fiscal Year 2005 – 2008: Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego
Fiscal Year 2009: SDCERS June 30, 2009 Actuarial Valuation.

Table A-8 sets forth the City's ARC and pension payments for Fiscal Years 2008 through 2011 as well as the amounts related specifically to the General Fund.

TABLE A-8
CITY OF SAN DIEGO
PENSION CONTRIBUTION
Fiscal Years 2008 through 2011
(In Millions)

Fiscal Year ending June 30	*ARC*[1]	*Total City Pension Contribution* [2]	*General Fund Pension Contribution*[3]
2008	$140.1	$166.6	$127.7
2009	165.7	163.6	133.8
2010	155.2	155.6	124.9
2011	233.5[4]	233.4	180.1

(1) Includes core pension ARC and POB Plan ARC. See Note 12 in the City's Fiscal Year 2009 CAFR for more information on ARC and POB. Pursuant to IRS guidelines, the City may not pre-fund the POB Plan. Therefore, plan contributions may differ from the ARC in any given year. See footnote 2.

(2) Fiscal Years 2008 and 2009: Audited; Fiscal Year 2010: Budgeted; and Fiscal Year 2011: Projection. Fiscal Year 2008: Includes $137.7 million core pension contribution pursuant to SDCERS June 30, 2006 Actuarial Valuation, $1 million POB Plan contribution, and $27.9 million in additional voluntary contributions. Fiscal Year 2009: Includes $161.7 million core pension contribution pursuant to SDCERS June 30, 2007 Actuarial Valuation, $1.2 million POB Plan contribution, and $700,000 in additional voluntary contributions. Fiscal Year 2010: Includes $154.2 million core pension contribution pursuant to SDCERS June 30, 2008 Actuarial Valuation and a budgeted $1.4 million POB Plan contribution. Fiscal Year 2011: Includes a projected $231.7 million core pension contribution pursuant to SDCERS June 30, 2009 Actuarial Valuation and a projected $1.7 million POB Plan contribution.

(3) Fiscal Years 2008 and 2009: Actual. Fiscal Year 2010: Budgeted. Fiscal Year 2011: Projected. Although the columns in the table labeled "ARC" and "Total City Pension Contribution" include both the core pension ARC and POB Plan ARC, the column "General Fund Pension Contribution" only includes the General Fund contribution to the core pension ARC.

(4) The Fiscal Year 2011 POB ARC is $1.8 million.

Source: Fiscal Years 2008 – 2009: Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego; Fiscal Years 2010 – 2011: Financial Management Department, City of San Diego.

In addition to the City's ARC payment, the City has entered into a court-approved class action settlement in the case of *William J. McGuigan v. City of San Diego, et. al.* (the "McGuigan Settlement"), that requires the City to make a payment of the remaining settlement amount of approximately $32.8 million plus any interest accrued under the settlement to SDCERS by June 8, 2011. The City intends to satisfy the McGuigan Settlement by seeking court approval to modify the judgment to allow for a third party, Bank of America, to purchase the judgment. The bank would make payment to SDCERS of the remaining settlement amount by June 30, 2010 and be repaid by the City over a four year term beginning in Fiscal Year 2012. This lawsuit involved the underfunding of the pension system by the City and all payments made by the City under the settlement are credited against the UAAL. See "CITY GOVERNMENT AND

FINANCIAL INFORMATION—Fiscal Year 2011 Proposed General Fund Budget and Revised Fiscal Year 2011 Proposed Budget” herein.

Postemployment Healthcare Benefits

The City provides retiree healthcare benefits, also known as other postemployment benefits (“OPEB”), to certain health-eligible retired employees through a plan administered by SDCERS. The City’s OPEB plan includes approximately 5,400 retirees, 8,900 active employees and 600 terminated vested members as of June 30, 2009. Historically, OPEB expenses were funded on a pay-as-you-go basis. Beginning in Fiscal Year 2008, the City entered into an agreement with the California Public Employees Retirement System (“CalPERS”) as a participating employer in the CalPERS Employers Retirement Benefits Trust (“CERBT”) to pre-fund future OPEB expenses. In Fiscal Year 2009, the City contributed approximately $25.6 million to SDCERS to pay current OPEB expenses and contributed an additional amount of approximately $23.9 million to the CERBT. In Fiscal Year 2010, the City budgeted approximately $32.1 million to SDCERS to pay current OPEB expenses and budgeted an additional contribution of approximately $25 million to the CERBT. As of December 31, 2009, the balance in the CERBT was approximately $50.3 million.

As of the date of this Official Statement, the City has not fully funded its ARC for OPEB (i.e., the sum of the normal cost of the postemployment benefits plus amortization of the OPEB UAAL). The City has not projected the amounts necessary to fully fund its OPEB ARC payments beyond the amounts set forth in the Fiscal Year 2011-2015 Five-Year Financial Outlook and does not expect to fully fund its OPEB ARC payment in that timeframe, as outlined in the Fiscal Year 2011-2015 Five-Year Financial Outlook. All future contributions for postemployment healthcare benefits will be credited toward the City’s ARC for retiree healthcare liabilities in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” (“GASB 43”), and GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” (“GASB 45”). See Note 13 to the Fiscal Year 2009 audited financial statements attached hereto in Appendix C.

In connection with compliance with GASB 43 and GASB 45, the City has calculated its net OPEB obligation (“NOPEBO”) as of June 30, 2009 to be approximately $93.9 million. The NOPEBO is the cumulative difference between the City’s annual OPEB cost and City’s contributions to OPEB in a particular year, including the OPEB liability or asset at transition, if any. Annual OPEB cost is equal to (i) the ARC for OPEB, (b) one year’s interest on the NOPEBO from prior years (which the City determined to be zero at the beginning of Fiscal Year 2008, the transition year, in accordance with GASB 45), and (c) an adjustment to the ARC for OPEB to offset the effect of actuarial amortization of past under- or over-contributions.

An actuarial valuation of the City’s postemployment medical benefit program as of June 30, 2009 (the “2009 OPEB Valuation”) was performed by Buck Consultants for the purpose of determining the City's annual cost in accordance with GASB 45. The valuation, dated September 17, 2009, reflected a discount rate of 6.69% based on the City's actual and expected contributions to CERBT, inflation factors for increases in healthcare costs and premium costs, and a 30-year amortization period (open basis). According to the 2009 OPEB Valuation, using the assumptions described above and consistent with GASB 45, the UAAL for OPEB for all retirees, deferred retirement participants, vested terminated and active members was $1.32 billion and the ARC for OPEB will be $120.32 million for Fiscal Year 2011 (as reported in the actuarial valuation dated June 30, 2009).

Table A-9 sets forth the retiree healthcare ARC and contributions for Fiscal Years 2008 through 2011.

TABLE A-9
CITY OF SAN DIEGO
RETIREE HEALTH CONTRIBUTIONS
Fiscal Years 2008 through 2011
(In Millions)

Fiscal Year ending June 30	*ARC*	*Total City Retiree Health Contribution*[1]	*General Fund Retiree Health Contribution*[1][2]
2008	$91.6	$53.6	$32.5
2009	104.5	49.5	34.9
2010	113.4	57.1	39.7
2011	120.3	57.8	40.0

(1) Fiscal Years 2008 and 2009: Actual. Fiscal Year 2010: Budgeted. Fiscal Year 2011: Projected.
(2) Includes pay-as-you-go portion and contribution towards the CalPERS Employment Retirement Benefit Trust (CERBT).

Source: Fiscal Years 2008 – 2009: Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego; Fiscal Years 2010 – 2011: Financial Management Department, City of San Diego

RISK MANAGEMENT

Workers' Compensation And Long-Term Disability

The City is self-insured for workers' compensation and long-term disability ("LTD"). All operating funds of the City participate in both these programs and make payments to the Self Insurance Fund. Each fund contributes an amount equal to a specified rate multiplied by the gross salaries of the fund. These payments are treated as operating expenditures in the contributing funds and operating revenues in the Self Insurance Fund. The City's Fiscal Year 2011-15 Five-Year Financial Outlook addresses reserves for the Workers' Compensation Fund. See "Reserves" herein.

Employee Group Health Insurance

The City offers a cafeteria-style flexible benefits plan. For all employees, this plan requires employees to choose a health and life insurance plan and also gives employees the option of obtaining dental insurance, vision insurance, or catastrophic care insurance. For MEA and Local-127 represented employees, this plan requires employees to choose a life insurance plan for their flexible benefit credit. For all other employees, $50,000 of City-paid life insurance is automatically provided outside of the flexible benefit credit. Employees can place remaining flexible benefit dollars into IRS qualified dental/medical/vision and childcare reimbursement accounts, into their 401(k), and/or take as cash.

Public Liability Insurance

The City's self-insured retention for public liability is $4,000,000 per occurrence. The City maintains excess public liability insurance policies 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 $50,000,000 per occurrence. The City's Fiscal Year 2011-2015 Five-Year Financial Outlook addresses reserves for the Public Liability Fund. See "Reserves" herein.

Public liability, workers' compensation, and LTD estimated liabilities as of June 30, 2009 are determined based on results of independent actuarial evaluations and include amounts for claims incurred but not reported and the loss adjustment expenses. 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 Self Insurance Fund, Sewer Utility Fund, and Water Utility Fund. Table A-10 presents the liability expense of the City for all three funds for the years presented, and the liability premium payments. 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 responsible funds.

TABLE A-10
CITY OF SAN DIEGO
LIABILITY CLAIMS[1] AND PREMIUMS
Fiscal Years 2005 through 2009

Fiscal Year	*Liability Claims Payments and Settlement Costs*	*Liability Premium Payments*
2005	$24,508,000	$2,928,104
2006	28,563,000	3,541,053
2007	31,832,000	5,725,972
2008	28,043,000	4,487,500
2009	25,588,000	5,491,130

(1) The City's portion of settlement and investigation expenses for third party public liability claims, and other litigation expenses.

Source: Information under tabular heading "Liability Claims Payments and Settlement costs" — Fiscal Year 2005 - Fiscal Year 2009: Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego Information under tabular heading "Liability Premium Payments" - Risk Management Department, City of San Diego

During Fiscal Year 2009 and to date in Fiscal Year 2010, there were no significant reductions in insurance coverage from the prior year. For each of the past three full Fiscal Years, the settlements have not exceeded insurance coverage. The City can give no assurance that particular losses will be covered or that providers will be able to pay covered losses.

Property Insurance

The City participates in the joint purchase of property insurance and flood insurance through the CSAC-EIA pool, policy term March 31, 2010 through March 31, 2011, which includes flood coverage for certain scheduled locations, which currently include three components of the Leased Property: San Diego Police Headquarters, Northwestern Division Police Station, and Rose Canyon Operation Center. See "THE LEASED PROPERTY" in the front part of this Official Statement. The City is not required to provide flood insurance for the Leased Property pursuant to the Lease, and at its discretion, may elect to modify the designation of covered properties in the future, in which case it is possible that none of the Leased Property will be covered. This joint purchase of the City's "all risk" property insurance, insuring approximately $2.67 billion of City property, provides coverage for loss to City property under the primary policy up to approximately $25 million per occurrence, with a $25,000 deductible. This limit of insurance includes coverage for rental interruption 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 counties are mutually subject to losses due to the same occurrence. Limits and coverage may be adjusted periodically in response to requirements of bond financed projects and in response to changes in the insurance marketplace and the City can give no assurance that any future losses will be covered or that its insurance provider will be able to cover any such losses.

Earthquake Insurance

The City has access up to $307.5 million of coverage limits, including coverage for rental interruption, for earthquake for designated buildings/structures and certain designated City lease financed locations, which currently include two components of the Leased Property: San Diego Police Headquarters and Northwestern Division Police Station. See "THE LEASED PROPERTY" in the front part of this Official Statement. The City is not required to provide earthquake insurance for the Leased Property pursuant to the Lease, and the City, and at its discretion, may elect to modify the designation of covered properties in the future, in which case it is possible that none of the Leased Property will be covered. 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. Earthquake coverage is subject to the greater of a 5% or $100,000 per unit deductible, effective through March 31, 2011. 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 earthquake. The City can give no assurance that any future losses will be covered by its insurance or that its insurance will be able to pay any covered losses.

Employee Dishonesty and Faithful Performance Insurance

The City is a public agency subject to liability for the dishonest acts, 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 million per occurrence subject to a $25,000 deductible.

LITIGATION POTENTIALLY ADVERSELY AFFECTING THE GENERAL FUND AND OTHER OPERATING FUNDS OF THE CITY

No Pending Litigation Regarding the Series 2010A Bonds

There is no litigation against the City pending or, to the knowledge of the executive officers of the City, threatened, in any court or other tribunal of competent jurisdiction, state or federal, in any way (i) restraining or enjoining the issuance, sale or delivery of any of the Series 2010A Bonds; (ii) questioning or affecting the validity of the Series 2010A Bonds; or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Series 2010A Bonds. To the knowledge of the City and the City Attorney, there are pending against the City lawsuits and claims arising in the ordinary course of the City's activities which, taken individually or in the aggregate, could materially affect the City's finances.

Litigation and Regulatory Actions

The City is a defendant in lawsuits pertaining to various 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 approximately 2,300 notices of claims in Fiscal Year 2009. The City has received approximately 1,766 notices of claims to date in Fiscal Year 2010. The City does not expect the aggregate amount of the uninsured liabilities of the City which may result from an adverse ruling in any or all of such claims to have a material adverse effect on its ability to pay principal and interest on the Series 2010A Bonds when due.

The estimate of the aggregate liability for unsettled claims as of June 30, 2009 that are not otherwise reported in Note 18, is accrued in the City's audited financial statements for the Fiscal Year ended June 30, 2009 and attached hereto as APPENDIX C — "CITY OF SAN DIEGO COMPREHENSIVE ANNUAL FINANCIAL REPORT" under the Government-Wide Statement of Net Assets and the Proprietary Funds financial statements. This liability was estimated by categorizing the various claims and was supplemented by information provided by the City Attorney with respect to the merit of certain individual claims and proceedings for which estimated Citywide exposure (including the City's Proprietary Funds) in the event of an adverse ruling was $2 million or more ("Potentially Significant Litigation").

Potentially Significant Litigation involving individual lawsuits that are not accrued as noted above are reported in the 2009 audited financial statements under either Note 18 (Contingencies) or Note 22 (Subsequent Events). Such litigation may involve liabilities attributable to the City's Proprietary Funds and for which the City's General Fund may not be liable.

Also, Swift Frame v. City of San Diego, a class action lawsuit, was filed December 24, 2009 seeking a return of the processing fee that the City charged to the Business Tax and Rental Unit Business Tax. Plaintiff alleges that a processing fee ($75 first year and $15 per year thereafter) is an illegal tax since the fee was not approved by a super majority of the voters as allegedly required by Proposition 218. In the event of an adverse ruling the liability facing the City is estimated to be in the range of $0-$5,000,000.

Ernest Abbit, et al. v. City of San Diego. In this case residents of the De Anza Mobilehome Park filed a lawsuit in 2006 alleging violations of the California Mobilehome Residency laws for management abuses and individual tort claims. In March, 2010 a settlement was reached and is in the process of being finalized, and the City expects that the entire settlement amount on behalf of the defendants will be paid for by the insurance companies for the City and the co-defendant.

On March 4, 2008, the Colony Hills Homeowners Association (the "HOA") and 40 property owners within the HOA filed a lawsuit against the City, which is described in Note 18 to the City's 2009 audited financial statements. This lawsuit was settled in February of 2010. The total cost to the City under the settlement is expected to be approximately $515,000 to $715,000, inclusive of out of pocket expenses, and will be paid from the Water Utility Fund.

All of the estimates of any potential losses in the event of an adverse ruling are subject to change without notice, and, except as required by the Bond Purchase Agreement, the City disclaims any undertaking to update the information concerning pending litigation or asserted claims for matters which may thereafter be brought to the attention of the City. See APPENDIX C — "CITY OF SAN DIEGO COMPREHENSIVE ANNUAL FINANCIAL REPORT".

INVESTMENT OF FUNDS

Investment of Funds

General. Amounts in the funds and accounts of the General Fund are invested by the City Treasurer in the Treasurer's Pooled Investment Fund (the "City Pool") described below and the City accounts for such amounts separately from other funds of the City.

City Pool. In accordance with the Charter of the City and authority granted by the City Council, the City Treasurer is responsible for investing the unexpended cash in the City Pool. Responsibility for the daily investment of funds in the City Pool is delegated to the City's Chief Investment Officer. The City and certain related entities are the only participants in the City Pool; there are no other City Pool participants either voluntary or involuntary in the City Pool. The investment objectives of the City Pool are preservation of capital, liquidity and return.

Oversight and Reporting Requirements. The City Treasurer provides an investment report on a monthly basis to the Chief Financial Officer, the City Comptroller and the City Council and annually presents the Investment Policy to the Chief Financial Officer, the Investment Advisory Committee and the City Council. The Investment Advisory Committee is comprised of two City employees, currently the Chief Financial Officer and the Director of Debt Management, and three investment professionals from the private sector and is charged with overseeing the review of the City's Investment Policy and practices of the City Treasurer and recommending changes thereto. Investments in the City Pool are audited annually by an independent firm of certified public accountants as part of the overall audit of the City's financial statements.

The City's investments division uses outside services to provide investment portfolio valuations and accounting and reporting services. These services provide monthly portfolio valuation, investment performance statistics, and other portfolio reports that are distributed to the Office of the City Treasurer accounting section and the Office of the Comptroller of the City for review and reconciliation. The Office of the City Treasurer's accounting section prepares a series of monthly reports, including the portfolio market valuation, and distributes these to the Mayor, City Council, Chief Financial Officer, and other officials.

Authorized Investments. Investments in the City Pool are governed by State law and further restricted by the City's Investment Policy. The Investment Policy is prepared with safety of principal being the foremost objective. Permitted investments include U.S. Treasury securities, U.S. Agency securities, U.S. Agency mortgage backed securities, corporate medium term notes, money market instruments, non-negotiable FDIC-insured certificates of deposit and the Local Agency Investment Fund (California State Pool). Reverse repurchase agreements ("reverse repos") are restricted to 20% of the base value of the portfolio and are governed by various maturity restrictions as well. The main operating funds of the City are managed in two separate portfolios. In its management of the "Liquidity" portfolio, comprising approximately 35% of total funds, the City invests in a variety of debt securities with maturities ranging from one day to approximately one year. The remaining 65% of funds are managed in a separate "Core" portfolio that consists of a variety of debt securities ranging from one day to five years; performance is measured against the Merrill Lynch one- to three-year U.S. Treasury Index. The 35% Liquidity/65% Core portfolio split serves as a guideline. The actual split may vary due to market conditions or other factors. Safety of principal and liquidity are paramount considerations in the management of both portfolios.

Pool Liquidity and Other Characteristics. The City Pool (including both the "Liquidity" and the "Core" portfolios) is highly liquid. Based on unaudited month-end data as of March 31, 2010, approximately 13% of the pool investments mature within 62 days, 16% within 92 days and 24% within 184 days, 39% within 1 year, 77% within 2 years, 98% within 3 years, and 100% within 5 years (on a cumulative basis). As of March 31, 2010, the Pool had a weighted average maturity of 1.34 years (488 days) and its weighted average yield was 1.015%. 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 1.78 years as of March 31, 2010. 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 1.78% for every 1% increase in market interest rates. The City Pool's 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 Pool 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.

Table A-11 below sets forth information concerning the City Pool at March 31, 2010.

TABLE A-11
CITY OF SAN DIEGO POOLED INVESTMENT FUND
at March 31, 2010
($ in thousands)
(unaudited)

Investment Instrument	Book Value	Fair Value	Percent of Total[1]
U.S. Treasury Bills and Notes	$881,235	$883,223	42.94%
Federal Agency Securities[2]	770,534	771,644	37.54
Medium Term Notes (Corporate)[3]	194,360	196,183	9.47
Money Market Instruments[4]	156,317	156,277	7.62
Local Agency Investment Fund	49,957	49,957	2.43
TOTAL INVESTMENTS	$2,052,403	$2,057,284	100.00%

(1) Based on book value.
(2) Federal National Mortgage Association ("Fannie Mae") securities and Federal Home Loan Mortgage Corporation ("Freddie Mac") securities represent 29.82% and 20.16%, respectively, of total Federal Agency Securities, which is approximately 11.19% and 7.57%, respectively, of the City Pool.
(3) These notes consist of both fixed and floating interest rate securities. The notes with floating interest rates are reset at intervals ranging from one day to three months. 70.63% of these notes were issued under the Temporary Liquidity Guarantee Program and are backed by the full faith and credit of the FDIC.
(4) These securities consist of commercial paper, negotiable certificates of deposit, Certificate of Deposit Account Registry Service certificate of deposit, term and overnight repurchase agreements, money market mutual funds, banker's acceptances, bank notes and/or thrift notes.

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

The City Pool is not invested in any structured investment vehicles, mortgage-backed securities or other asset-backed securities. In addition, the City has no outstanding swap arrangements or liquidity facilities.

BONDED AND OTHER INDEBTEDNESS

Long-Term Obligations

As of June 30, 2009, the City had $6,315,000 aggregate principal amount of long-term general obligation bonded indebtedness outstanding and $434,290,000 aggregate principal amount of long-term general fund lease obligations outstanding, not including the $103,000,000 Public Facilities Financing Authority of the City of San Diego, Lease Revenue Bonds, Series 2009A (Various Capital Improvement Projects) ("2009A Bonds"), which will be refunded by the Series 2010A Bonds, together with other available moneys (See "PLAN OF REFUNDING" in the front part of this Official Statement).

Table A-12 provides a schedule, by years, of principal and interest payments required to be made by the City or its oversight entities with respect to future obligations, as of June 30, 2009.

TABLE A-12
CITY OF SAN DIEGO
GENERAL OBLIGATION AND GENERAL FUND LEASE OBLIGATIONS (1)(2)(3)
As of June 30, 2009
(in thousands)

Fiscal Year Ending June 30	*General Obligation Bonds*	*General Fund Lease Obligations*	*Total Principal and Interest Payable*
2010	$ 2,328	$ 41,583	$ 43,911
2011	2,319	38,740	41,059
2012	2,314	35,215	37,530
2013	0	35,210	35,210
2014	0	35,207	35,207
Thereafter	0	525,185	525,185
Subtotal	$ 6,961	$ 711,142	$ 718,103
Less Interest Portion	(646)	(276,852)	(277,498)
Total Principal Portion	**$ 6,315**	**$ 434,290**	**$ 440,605**

(1) Unaudited
(2) The table excludes the debt service for the 2009A Bonds.
(3) The table reflects the existing debt service for the outstanding City of San Diego Taxable Lease Revenue Bonds, Series 1996A (San Diego Jack Murphy Stadium) (the "1996A Bonds") and the City of San Diego, California, Refunding Certificates of Participation (Balboa Park and Mission Bay Park Capital Improvements Program, Series 1991) (Series 1996B) (the "1996B Bonds") which will be refunded by the Series 2010A Bonds, together with other available moneys (See "PLAN OF REFUNDING" in the front part of this Official Statement).

Source: Debt Management Department, City of San Diego

The following provides a summary list of outstanding general obligation bonds and General Fund lease commitments as of June 30, 2009.

General Obligation Bonds	Principal Outstanding[1] (in thousands)
1991 – Public Safety Communications	$ 6,315
Total Principal of General Obligation Bonds	$ 6,315
General Fund Lease Commitments	
Certificates of Participation	
1996A – Balboa Park/Mission Bay Park Capital Improvements	$ 6,685
1996B – Balboa Park/Mission Bay Park Capital Improvements Refunding[2]	8,050
2003 – Balboa Park/Mission Bay Park Capital Improvements Refunding	8,655
Lease Revenue Bonds	
1994 – City/MTDB Authority Refunding - Police CIP and Bayside Extension	$ 2,770
1996 – San Diego Jack Murphy Stadium[2]	56,275
1998 – Convention Center Expansion Financing Authority	168,065
2002 – Fire and Life Safety Facilities Project	22,280
2003 – City/MTDB Authority for Old Town Trolley Extension Refunding	12,120
2007 – Ballpark Project	149,390
Total Principal of General Fund Lease Commitments	$434,290

(1) The table excludes the principal outstanding for the 2009A Bonds, which will be refunded by the Series 2010A Bonds, together with other available moneys (See "PLAN OF REFUNDING" in the front part of this Official Statement).

(2) To be refunded by the Series 2010A Bonds, together with other available moneys (See "PLAN OF REFUNDING" in the front part of this Official Statement).

Source: Debt Management Department, City of San Diego

Proposed Additional General Fund Lease Financings

From time to time, the City issues lease revenue bonds to fund various capital improvements and projects. The City's Fiscal Year 2011-15 Five-Year Financial Outlook describes the City's General Fund deferred capital improvement needs. Deferred capital improvements include needed repairs to City facilities, including roof replacement, heating and cooling system upgrades, structural repairs, and repairs and improvements to storm drains and streets. The City estimates that its deferred capital improvement needs, excluding those related to water and wastewater enterprises, may be at least $800 million to $900 million. The City has no current plans to borrow to meet those deferred capital needs, other than as described in the next paragraph.

In March 2009, the Public Facilities Financing Authority of the City of San Diego sold $103 million of lease revenue bonds for deferred capital improvement projects on a private placement basis, which are being refunded by the Series 2010A Bonds. Based on the Revised

Fiscal Year 2011-15 Five-Year Financial Outlook, approximately $124 million in General Fund supported obligations are projected to be issued to address deferred capital improvement needs in each of the Fiscal Years 2012 and 2014.

The City also monitors its outstanding bond issuances for refunding opportunities, and, depending on market conditions, the City may issue refunding bonds where economically advantageous to the City.

Short-Term Borrowings

The City has issued tax and revenue anticipation notes since the mid-1960's (except for Fiscal Year 1979) in anticipation of receipt of taxes and other General Fund revenues, and expects to issue tax and revenue anticipation notes in Fiscal Year 2011 in the approximate amount of $170 million. The following Table A-13 presents a 10-year history of the City's tax and revenue anticipation notes:

TABLE A-13
CITY OF SAN DIEGO GENERAL FUND
TAX AND REVENUE ANTICIPATION NOTES
Fiscal Years 2001 through 2010
(in thousands)

Fiscal Year	*Principal Amount*[1]
2001	$ 77,000
2002	73,000
2003	93,200
2004	110,900
2005[2]	114,000
2006[2]	145,000
2007[2]	142,000
2008[2]	116,000
2009[2]	135,000
2010	124,070[3]

(1) Principal amounts issued pursuant to Charter Section 92
(2) Private placements in Fiscal Years 2005-2009
(3) Matured on April 30, 2010

Source: Debt Management Department, City of San Diego

Operating Lease Commitments

The City has entered into various General Fund lease arrangements under which the City must make annual payments to occupy facilities necessary for City operations. 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, 2009.

TABLE A-14
CITY OF SAN DIEGO
FUTURE MINIMUM RENTAL PAYMENTS
GENERAL FUND OPERATING LEASE COMMITMENTS(1)
(in thousands)
As of June 30, 2009

Fiscal Year	*Rent Payable*
2010	$8,852
2011	8,241
2012	8,321
2013	8,264
2014	5,877
2015	53
2016	49
2017	49
2018	49
2019	49
Thereafter(2)	245
Total	**$40,049**

(1) Table describes commercial rent payable by the City of San Diego.
(2) Fiscal Years 2020-2024.

Source: Real Estate Assets Department, City of San Diego

Overlapping Debt and Debt Ratios

Table A- 15 presents a statement of direct and overlapping bonded debt (the "Debt Statement") of the City as of March 1, 2010. The City has issued bonds or certificates of participation secured by and payable out of loans and installment sale contracts, in order to provide conduit financing for single and multi-family housing, industrial development, and 501(c)(3) non-profit corporations. These bonds and certificates of participation are not secured by City General Fund amounts or revenues.

The Debt Statement is prepared by California Municipal Statistics Inc. and is included for general information purposes only. The City has not reviewed the Debt Statement for completeness or accuracy and makes no representations in connection therewith. The Debt Statement does not include the Series 2010A Bonds described in the forepart of this Official Statement. The Debt Statement generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The City contains numerous school districts and special purpose districts, such as for water and sanitation, many of which have issued general obligation bonds. Some of the issues may be payable from self-supporting enterprises or revenue sources other than property taxation.

The City periodically issues Special Assessment or Community Facilities District (Mello-Roos) bonds on behalf of petitioning developers or citizens when the City determines that the public facilities to be financed are of a defined extraordinary benefit to the City. These bonds are secured by property owner assessments or special taxes. As of December 31, 2009, there were two 1915 Act Assessment District and two Reassessment District bond issues with aggregate outstanding principal of $24,745,520, and eight Community Facilities District bond issues with outstanding principal of $136,970,000.

The reserve funds for each of the City's outstanding Assessment District and Community Facilities District bond issues were fully funded as of December 31, 2009. The City is not in any way obligated to make debt service payments for either Assessment District or Community Facilities District bond issues. Based on the City's current Debt Policy, if a short-fall in assessments or special tax receipts needed to make debt service payments occurred as a result of delinquencies, the City does not expect to cover such shortfalls using its general revenues.

TABLE A-15
CITY OF SAN DIEGO
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
(as of March 1, 2010)
(unaudited)

2009-10 Assessed Valuation:	$181,065,185,204
Redevelopment Incremental Valuation:	17,977,774,770
Adjusted Assessed Valuation:	$163,087,410,434

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 3/1/10	
Metropolitan Water District	9.011%	$ 23,808,864	
Palomar Community College District	26.111	39,623,443	
San Diego Community College District	99.923	625,197,412	
Poway Unified School District School Facilities Improvement District Nos. 2002-1 and 2007-1	67.752 & 68.491	171,168,918	
San Diego Unified School District	99.926	1,526,327,902	
Sweetwater Union High School District	20.702	71,154,723	
San Ysidro School District	84.442	73,795,640	
Other School, High School and Community College Districts	Various	58,407,187	
Grossmont Healthcare District	8.251	7,065,090	
Palomar Pomerado Health System	32.014	133,697,929	
City of San Diego	**100.**	**4,340,000**	
City of San Diego Community Facilities District No. 1	100.	37,130,000	
City of San Diego Community Facilities District No. 2, Improvement Area Nos. 1, 3 and 4	100.	68,390,000	
City of San Diego Community Facilities District No. 3	100.	19,195,000	
City of San Diego Community Facilities District No. 4	100.	12,165,000	
City of San Diego 1915 Act Bonds	100.	24,745,520	
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	100.	29,115,000	
North City West School District Community Facilities District	100.	90,692,921	
Poway Unified School District Community Facilities Districts	99.609-100.	305,770,005	
San Dieguito Union High School District Community Facilities Districts	39.731-81.063	32,105,640	
Sweetwater Union High School District Community Facilities Districts	8.935-100.	23,222,679	
Other Special District 1915 Act Bonds	Various	1,787,962	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		**$3,378,906,835**	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	46.840%	$ 197,482,124	
San Diego County Pension Obligations	46.840	399,786,304	
San Diego Superintendent of Schools Certificates of Participation	46.840	9,924,225	
Palomar Community College District General Fund Obligations	26.111	1,817,326	
Poway Unified School District Certificates of Participation	71.391	90,998,888	
Sweetwater Union High School District Certificates of Participation	20.702	2,585,680	
Chula Vista School District General Fund Obligations	4.914	7,028,249	
San Ysidro School District Certificates of Participation	84.442	31,264,651	
Other School, High School and Community College District Certificates of Participation	Various	2,194,775	
City of San Diego General Fund Obligations and MTDB Authority	**100.**	**525,230,000**	(1)
Otay Municipal Water District Certificates of Participation	8.183	5,064,459	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$1,273,376,681	
Less: Otay Municipal Water District Certificates of Participation		5,064,459	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		**$1,268,312,222**	
GROSS COMBINED TOTAL DEBT		$4,652,283,516	(2)
NET COMBINED TOTAL DEBT		$4,647,219,057	

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on the principal amount due at maturity.

(table continued on next page)

TABLE A-15
CITY OF SAN DIEGO
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
(*as of March 1, 2010)*
(unaudited)
(continued from previous page)

<u>Ratios to 2009-10 Assessed Valuation</u>:

Direct Debt ($4,340,000)	**0.002%**
Total Direct and Overlapping Tax and Assessment Debt	1.87%

<u>Ratios to Adjusted Assessed Valuation</u>:

Combined Direct Debt ($529,570,000) (1)	**0.32%**
Gross Combined Total Debt	2.85%
Net Combined Total Debt	2.85%

(1)	City	$ 4,340,000
	City Authorities and Certificates of Participation	525,230,000
		$529,570,000

<u>STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09</u>: $0

Source: California Municipal Statistics Inc.

APPENDIX B

DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY

Set forth below is certain demographic information regarding the City of San Diego (the "City") and the County of San Diego (the "County"). This information is provided for informational purposes only and general background. The Series 2010A Bonds (as defined in this Official Statement) are not a debt of the County, the State, or any of its political subdivisions, and neither the County, the State nor any of its political subdivisions is liable thereon. The information and data within this Appendix B is the latest data available; however, the current state of the economy at City, County, State and national levels may not be reflected in the data discussed below because more up-to-date publicly available information is not available to the City.

As explained under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS" in the front part of this Official Statement, the Series 2010A Bonds are payable solely from the Base Rental Payments to be made by the City under the Lease and certain other money held under the Indenture.

Changes to Preliminary Official Statement

Various changes were made in the sections identified below to reflect additional information since May 7, 2010, the date of the Preliminary Official Statement. The changes, in addition to those resulting from the pricing of the Series 2010A Bonds, are principally the result of the release of the following employment data after the date of the Preliminary Official Statement: (1) on May 7, 2010, the U.S. Department of Labor, Bureau of Labor Statistics monthly unemployment rates for April 2010, and (2) on May 21, 2010, the State of California Employment Development Department, Labor Market Information Division monthly unemployment rates for April 2010.

B-3: "Employment"

B-3: "TABLE B-2—LABOR FORCE – ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND UNEMPLOYMENT OF CITY OF SAN DIEGO CIVILIAN LABOR FORCE—*April 2010*"

INTRODUCTION

The City, with a total population of approximately 1,376,173 as of January 1, 2010 and a land area of approximately 342 square miles, is the eighth largest city in the nation and the second largest city in California. The City is the county seat for the County. In addition to having a favorable climate, the City offers a wide range of cultural and recreational services to both residents and visitors. Major components of the City's diversified economy include defense, tourism, biotechnology/biosciences, financial and business services, software and telecommunications.

Population

The following Table B-1 sets forth annual population figures for the City, the County and the State for calendar years 2000 through 2009. The City's population increased by approximately 6.0% between 2000 and 2009, with an average annual increase of approximately 8,529.

TABLE B-1
POPULATION GROWTH
Calendar Years 2000 through 2009

Calendar Year[1]	*City of San Diego*	*Annual Growth Rate*	*County of San Diego*	*Annual Growth Rate*	*State of California*	*Annual Growth Rate*
2000	1,277,168	1.82%	2,836,284	2.16%	34,095,209	2.02%
2001	1,250,700	-2.07	2,892,535	1.98	34,766,730	1.97
2002	1,255,742	0.40	2,948,541	1.94	35,361,187	1.71
2003	1,275,112	1.54	2,994,300	1.55	35,944,213	1.65
2004	1,294,000	1.48	3,025,524	1.04	36,454,471	1.42
2005	1,306,000	0.93	3,053,111	0.91	36,899,392	1.22
2006	1,311,162	0.40	3,077,313	0.79	37,274,618	1.02
2007	1,316,837	0.43	3,117,943	1.32	37,674,415	1.07
2008	1,336,865	1.52	3,169,490	1.65	38,134,496	1.22
2009	1,353,993	1.28	3,208,466	1.23	38,487,889	0.93

(1) As of July 1 of the calendar year.

Source: City of San Diego data: Fiscal Year 2009 Comprehensive Annual Financial Report, Statistical Section (Unaudited)
County of San Diego and State of California data: State of California Department of Finance, Demographic Research Unit.

Employment

The following Table B-2 sets forth information regarding the size of the labor force, employment and unemployment rates for the City for calendar years 2005 through 2009, and for April 2010 (Preliminary).

TABLE B-2
LABOR FORCE – ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND UNEMPLOYMENT OF CITY OF SAN DIEGO CIVILIAN LABOR FORCE(1)
Calendar Years 2005 through 2009, and April 2010
(Not Seasonally Adjusted)

	Calendar Year					*April*
	2005	***2006***	***2007***	***2008***	***2009***	***2010(2)***
Civilian Labor Force						
City of San Diego(1)						
Employed	639,700	647,900	652,400	657,300	627,700	625,200
Unemployed	29,000	26,800	31,100	41,900	67,500	72,300
Unemployment Rates						
City(1)	4.3%	4.0%	4.6%	6.0%	9.7%	10.4%
County(1)	4.3	4.0	4.6	6.0	9.7	10.4
California(1)	5.4	4.9	5.4	7.2	11.4	12.3
United States(3)	5.1	4.6	4.6	5.8	9.3	9.5

(1) Revised labor force data and Unemployment Rates are based on a March 2008 benchmark.
(2) Preliminary; subject to change.
(3) The United States unemployment rates for calendar year 2005-2009 were generated as of May 3, 2010.
Source: State of California Employment Development Department, Labor Market Information Division; and the U.S. Department of Labor, Bureau of Labor Statistics

The State of California Employment Development Department, Labor Market Information Division (the "EDD"), preliminarily estimates that, on a seasonally unadjusted basis, the civilian labor force in the City in April of 2010 was 625,200, of which approximately 72,300 persons were unemployed. Based on preliminary estimates of the EDD as of May 24, 2010, the City's unemployment rate in April of 2010, on a seasonally unadjusted basis, matched that of the County at 10.4% and was below the unemployment rate of the State, which was 12.3%. However, the City's unemployment rate exceeded that of the United States, which was 9.5%. The following Table B-3 sets forth estimates of total annual civilian nonagricultural wage and salary employment by number of employees in each major industry category in the County for calendar years 2004 through 2009. Annual industry employment information is not compiled by sector for the City.

TABLE B-3
COUNTY OF SAN DIEGO
WAGE AND SALARY EMPLOYMENT
Calendar Years 2005 through 2009[(1)]

Industry Category	*2005*	*2006*	*2007*	*2008*	*2009*
Mining & Logging	**400**	**500**	**400**	**400**	**400**
Construction	**90,800**	**92,700**	**87,000**	**76,100**	**61,100**
Manufacturing	**104,500**	**103,900**	**102,500**	**102,800**	**95,400**
Nondurable Goods	25,400	25,500	25,200	24,700	22,200
Durable Goods	79,100	78,400	77,300	78,100	73,200
Transportation, Warehousing & Utilities	**28,400**	**28,700**	**28,800**	**29,000**	**27,100**
Trade	**191,000**	**193,400**	**193,600**	**186,900**	**171,200**
Wholesale	43,600	45,100	45,500	44,900	40,700
Retail	147,400	148,300	148,100	142,000	130,500
Financial Activities[(2)]	**83,200**	**83,700**	**80,300**	**75,200**	**70,300**
Services[(3)]	**568,700**	**580,900**	**594,000**	**603,300**	**579,500**
Government	**215,100**	**217,900**	**222,400**	**225,100**	**224,700**
Federal	39,700	40,400	40,900	41,600	43,300
State and Local	175,400	177,500	181,500	183,500	181,400
TOTAL NONAGRICULTURAL	**1,282,100**	**1,301,700**	**1,309,000**	**1,299,400**	**1,721,000**

(1) All figures are based on a March 2000 Benchmark.
(2) Includes finance, insurance, and real estate.
(3) Includes professional and business, information, educational and health, leisure and hospitality and other services.
Source: State of California Employment Development Department, Labor Market Information Division.

Since the industry employment data referenced above is organized by standard industrial classification codes, employment in the various high tech categories, such as telecommunications, software and biotechnology may not fall into a single employment section alone. For example, some telecommunications firms appear in Manufacturing while others appear in Services.

Taxable Sales

The following Table B-4-1 sets forth taxable transactions in the City for calendar years 2004 through 2008 and the following Table B-4-2 sets forth taxable transactions in the City for the first quarter of calendar year 2009, the most recent period for which State Board of Equalization data is available. See APPENDIX A—"CITY GOVERNMENT AND FINANCIAL INFORMATION—Major Revenue Sources" for a discussion of City assumptions regarding negative trends of taxable transactions and sales tax revenues for Fiscal Year 2009, Fiscal Year 2010 and Fiscal Year 2011.

TABLE B-4-1
CITY OF SAN DIEGO
TAXABLE TRANSACTIONS
Calendar Years 2004 through 2008
(In Thousands)

	2004	2005	2006	2007[1]	2008[1]
Retail Stores					
Apparel	$785,563	$865,833	$924,301	$959,509	$1,123,736
General Merchandise	2,142,892	2,170,831	2,236,087	2,272,494	1,995,887
Food	741,899	801,351	843,800	881,871	828,471
Eating and Drinking	2,197,430	2,311,013	2,466,681	2,617,392	2,682,884
Home Furnishings and Appliances	728,841	747,339	706,043	655,097	749,808
Building Materials	1,440,726	1,396,894	1,427,987	1,098,559	865,280
Motor Vehicles and Parts	2,213,662	2,228,510	2,132,207	2,237,019	1,852,953
Service Stations	1,232,354	1,398,512	1,567,032	1,656,784	1,847,002
Other Retail Stores	2,375,353	2,465,882	2,527,653	2,321,276	2,045,273
Total Retail Stores	$13,858,720	$14,386,165	$14,831,791	$14,700,001	$13,991,295
All Other Outlets	4,679,723	5,105,581	5,227,476	5,356,105	5,422,964
TOTAL ALL OUTLETS	$18,538,443	$19,491,746	$20,059,267	$20,056,106	$19,414,259[2]

(1) In early 2007 the California State Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change process, industry data for 2007 and 2008 are not comparable with data from prior years.

(2) Line items may not add to totals due to independent rounding.

Source: California State Board of Equalization.

TABLE B-4-2
CITY OF SAN DIEGO
TAXABLE TRANSACTIONS
Calendar Year 2009 First Quarter
(in Thousands)

Type of Business	2009 First Quarter
Motor Vehicle and Parts Dealers	$ 404,313
Home Furnishings and Appliance Stores	232,046
Building Materials and Garden Equipment and Supplies	179,969
Food and Beverage Stores	201,635
Gasoline Stations	278,502
Clothing and Clothing Accessories Stores	278,305
General Merchandise Stores	313,311
Food Services and Drinking Places	623,086
Other Retail Group	358,877
Total Retail and Food Services	2,870,044
All Other Outlets	1,173,138
TOTAL ALL OUTLETS	**$4,043,182**

Source: California State Board of Equalization, Taxable Sales in California.

Total taxable sales in the City of San Diego during the first quarter of calendar year 2009 declined by approximately 13%, compared to the same period of the prior year.

Tourism

The tourism industry is the County's third largest industry in terms of business revenue generation, following manufacturing and the military. The following Table B-5 sets forth total visitor spending in the County for the calendar years 2005 through 2009.

TABLE B-5
COUNTY OF SAN DIEGO
TOTAL VISITOR SPENDING(1)
Calendar Years 2005 through 2009
(In Millions)

Calendar Year	*Amount*
2005(2)	$7,224
2006(2)	7,719
2007(2)	7,899
2008	7,916
2009	6,958

(1) Visitor spending is an estimate of total direct and indirect visitor expenditures as derived from the Visitor Activity Model/Visitor Profile Study prepared by CIC Research, Inc. for the San Diego Convention and Visitors Bureau.

(2) Figure reflects revised estimate to include day visitors from Mexico, non-resident air travelers and conference and convention planners and exhibitor companies.

Source: San Diego Convention and Visitors Bureau.

The following Table B-6 sets forth the City's transient occupancy tax revenues for Fiscal Years 2005 through 2009. See APPENDIX A—"CITY GOVERNMENT AND FINANCIAL INFORMATION—Major Revenue Sources" for a discussion of negative trends of City transient occupancy tax projected for Fiscal Year 2010 and Fiscal Year 2011.

TABLE B-6
CITY OF SAN DIEGO
TRANSIENT OCCUPANCY TAX [(1)]
Fiscal Years 2005 through 2009
(in thousands)

Fiscal Year	*Amount*
2005	$ 120,792
2006	136,803
2007	154,810
2008	159,348
2009	140,657

(1) 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 2009 Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego

The City is the focal point for tourism in the County. Based on the San Diego County Visitor Industry Summary produced by San Diego Convention and Visitors Bureau, in calendar year 2009 an average of 67.3% of the County's hotel and motel rooms rented were located in the City. In addition, most of the County's major tourist attractions, including the world-renowned San Diego Zoo, the San Diego Wild Animal Park and Sea World, are located in the City. Other attractions located in the City include the Cabrillo National Monument on Point Loma, the historic Gaslamp Quarter in the downtown area, the Old Town State Park, Balboa Park and a host of other cultural and recreational activities.

Based on the San Diego County Visitor Industry Summary, in calendar year 2009, there were 8,501,391 airport arrivals and 665,757 Amtrak arrivals in the County; City average hotel occupancy was 65.4%. As of February 2010, the City average hotel occupancy rate was 60.2%, which represents a 0.4% increase from the same period of the prior year.

In addition to the many permanent attractions available to visitors, the City has also been host to a number of major sporting events. The City annually hosts the Buick Invitational, a Professional Golfers' Association Tour Event played at the world renowned Torrey Pines Golf

Course. In addition, the City has annually hosted a pair of post season contests of elite college football teams, the Holiday Bowl and the Poinsettia Bowl.

The San Diego Convention Center has 2.6 million total gross square feet of buildings. According to the San Diego Convention Center Corporation, since opening in 1989, the Convention Center has generated over $18.3 billion in economic benefit for the San Diego regional economy through increased visitor spending, additional hotel room nights, and new jobs.

Military

Military and related defense spending are significant factors in the County economy. Military installations include Marine Corps Base Camp Joseph H. Pendleton; the Marine Corps Recruit Depot (MCRD); Marine Corps Air Station at Miramar; Naval Air Station North Island; Naval Station San Diego; and Naval Submarine Base, San Diego.

The following Table B-7 sets forth the military and related defense expenditures and personnel in the City for the federal fiscal years ended September 30, 2008 and September 30, 2009.

TABLE B-7
CITY OF SAN DIEGO(1)
TOTAL DEFENSE EXPENDITURE AND PERSONNEL
Federal Fiscal Years ended September 30, 2008 and September 30, 2009

	Expenditures (In Thousands)		*Military & Civilian Personnel(2)*		
Fiscal Year	*Grants/ Contracts(3)*	*Payroll Outlays(2)*	*Active Duty Military*	*Civilian(4)*	*Total*
2008	$9,080,575	$5,543,618	64,605	25,232	89,837
2009	$10,754,006	$5,778,806	67,432	24,965	92,397

(1) Data includes activity and expenditures which may occur outside the City or in adjacent counties related to County-based sites.

(2) Computation for Personnel & Payroll Data includes Active Duty Marines and all Commands in the following Navy Installations: Naval Base San Diego, the Broadway Complex, Naval Base Point Loma, Naval Base Coronado, Marine Corps Air Station Miramar, Marine Corps Recruit Depot Miramar, and Naval Medical Center.

(3) Procurement data includes Contracts for Dept of Defense only in Congressional Districts CA-49, CA-50, CA-51, CA-52 and CA-53.

(4) Includes Appropriated and Non-appropriated Funds Civilians Navy employees, Defense Commissary Agency employees, Navy Exchange employees and Marine Corps Exchange employees.

Source: Defense Manpower Data Center and Total Workforce Management System, Commander Navy Region Southwest, Regional Business Office.

International Trade

The following Table B-8 sets forth the valuation of exports originating in the San Diego Customs District for the calendar years 2005 through 2009.

TABLE B-8
VALUATION OF EXPORTS
ORIGINATING IN SAN DIEGO CUSTOMS DISTRICT[(1)]
Calendar Years 2005 through 2009
(In Millions)

Calendar Year	*Amount*
2005	$14,990
2006	15,980
2007	16,002
2008	16,607
2009	14,007

(1) The San Diego Customs District includes the ports of San Diego, Andrade, Calexico, San Ysidro, Tecate, Otay Mesa Station, and Calexico-East.

Source: RAND California, Business and Economic Statistics and US Census Bureau Foreign Trade Statistics.

Top Ten Principal Employers

The following Table B-9 sets forth the top 10 principal employers in the City of San Diego as of June 30, 2009.

TABLE B-9
CITY OF SAN DIEGO
TOP TEN PRINCIPAL EMPLOYERS
Fiscal Year 2009
(unaudited)

Employer	*Number of Employees*	*Percentage of Total Employment*[1]
United States Navy[2]	55,300	7.91%
San Diego Unified School District[3]	21,959	3.14
University of California San Diego	19,435	2.78
San Diego County[4]	17,900	2.56
Sharp Memorial Hospital	14,724	2.11
City of San Diego[5]	10,799	1.54
Kaiser Permanente	7,220	1.03
University of San Diego	6,086	0.87
Qualcomm, Inc.[6]	6,000	0.86
UC San Diego Medical Center	5,300	0.76
Total Top Employers	**164,723**	**23.56%**

(1) Percentage based on total employment of 699,200 provided by the EDD Labor Force Data.
(2) Employee count includes only U.S. Navy branch civilian and military personnel.
(3) Employee count is district-wide; school district boundaries do not coincide with City of San Diego boundaries.
(4) Employee count is county-wide.
(5) Employee count is provided by the City of San Diego, Office of the Comptroller.
(6) Based on Fiscal Year 2008 employee count. Fiscal year 2009 employee count was not yet available.
Source: Fiscal Year 2009 Comprehensive Annual Financial Report, Statistical Section (Unaudited).

Personal Income

The following Table B-10 sets forth the per capita personal income in the County and the State for calendar years 2005 through 2009.

TABLE B-10
COUNTY OF SAN DIEGO AND STATE OF CALIFORNIA
PER CAPITA PERSONAL INCOME[1]
Calendar Years 2005 through 2009

Calendar Year	*County of San Diego[2]*	*State of California*
2005	$40,383	37,418
2006	42,801	40,020
2007	44,832	41,805
2008	45,728	43,852
2009[3]	—	42,325[4]

(1) Amounts for County and State may not be comparable based on different source methodology.
(2) Reflects per capita personal income for the San Diego-Carlsbad-San Marcos Metropolitan Statistical Area.
(3) County of San Diego Per Capita Personal Income for Calendar Year 2009 not yet available as of the date of this Official Statement.
(4) Preliminary.
Source: California data: U.S. Bureau of Economic Analysis and Bureau of the Census.

Property Value and Construction

The following Table B-11 sets forth total City assessed value, building permit valuations and the number of new construction permits issued in the City for Fiscal Years 2005 through 2009.

Residential construction activity has continued to decline since peaking in 2005. The subprime mortgage crisis and the resulting significant increase in the number of foreclosures have contributed to this downturn.

TABLE B-11
CITY OF SAN DIEGO
ASSESSED VALUE AND CONSTRUCTION PERMIT VALUATION
Fiscal Years 2005 through 2009
($ in thousands)

	Residential[1]		**Non-Residential**[2]		
Fiscal Year	*Dwelling Units*	*Assessed Value*[4]	*Permits*	*Assessed Value*[4]	*Total Permit Assessed Value Estimate*[4]
2005	3,961	$941,561	221	$1,216,258	$2,157,819
2006	3,702	762,811	272	1,266,451	2,029,262
2007	3,540	587,520	217	1,035,183	1,622,703
2008	2,228	437,934	175	931,648	1,369,582
2009	1,117	202,268	138	576,879	779,147

(1) Residential reflects construction of new structures.
(2) Non-residential reflects construction of new structures whose intended use includes commercial, industrial, and other uses. Each permit is a separate structure.
(3) Valuation figures only include valuation of newly created structures. These figures do not include minor modification work such as interior remodels, reroofs, etc. Total permit Assessed Value is an estimate determined at time of permit issuance; actuals may vary.

Source: Development Services Department, City of San Diego, Permit Tracking System Database

According to the San Diego County Assessor's Office, there has been an increase in the number of notices of loan defaults issued and a decrease in the number of foreclosures in the County in calendar year 2009 compared to calendar year 2008. For calendar years 2005 through 2007, there was an average of 12,523 notices of loan defaults and an average of 3,680 foreclosures per year. Notices of default increased 72.1% over this three year average to 21,546 in 2008, while increasing to 25,785 notices issued in 2009. Foreclosures increased 332.0% from the three year average to 15,897 foreclosures in 2008, while decreasing in 2009 to 11,807 foreclosures. In 2008, 57.5% of total deeds recorded were foreclosures. This percentage decreased to 40.4% in 2009. See APPENDIX A—"CITY GOVERNMENT AND FINANCIAL INFORMATION—Major Revenue Sources" for a discussion of City assumptions regarding negative trends in property tax revenues.

The following Table B-12 sets forth foreclosure activity in the County for the calendar years 2005 through 2009.

TABLE B-12
COUNTY OF SAN DIEGO
FORECLOSURE ACTIVITY
Calendar Years 2005 through 2009

Calendar Year	*Foreclosures*	*Total number of Housing Units*[(1)]	*% of Total Housing Units*
2005	559	1,107,985	0.05%
2006	2,065	1,118,283	0.18
2007	8,417	1,131,749	0.74
2008	19,577	1,140,349	1.72
2009	15,487	1,145,548	1.35

(1) As of January 1 of the indicated year.
Source: County of San Diego, Assessor's Records; and SANDAG.

Transportation

San Diego's transportation system provides for the movement of people and goods through a network of highways and roads, public transit, freight railroads, airports, seaports, and intermodal facilities. Local streets, paths and trails serve to provide local access and connections to the regional network. The transportation system provides travel for residents, employees, visitors, and goods movement and creates a system that supports City and regional economic needs. To accommodate the various travel needs, the City's transportation network includes numerous modes of transportation.

SANDAG is the region's transportation and planning agency. The City participates in the development and adoption of SANDAG documents and programs through the votes of elected officials serving on the SANDAG Board of Directors, staff participation on SANDAG advisory committees, and direct citizen participation in the process.

The automobile-highway system is the primary mode of travel in the region. Based on public information published by SANDAG the existing regional transportation system consists of over 600 miles of freeways and highways and about 7,400 miles of local streets and roads. Over 84 million vehicle miles are traveled daily, with an average vehicle trip length of 6.4 miles. At present, the capacity of the auto-highway system is being exceeded in a number of corridors during the peak commute hours when most people are going to and from work. Within the San Diego region, transit services are provided by the Metropolitan Transit System ("MTS") in the southern metropolitan area (including the City) and the North County Transit District ("NCTD") in the northern part of the county (with Coaster and bus services that tie into the City of San Diego). Transit services are provided both for trips within the City and region and for trips between San Diego and adjacent areas. The current transit network includes local and express bus, light rail (trolley), and Coaster commuter rail services. According to SANDAG data, the region's transit systems provide about 35 million miles of annual transit service, carrying over 104 million total annual passengers.

In addition, there are demand-responsive transit services that provide transit service in sparsely traveled areas and for travelers with special needs that cannot be well served by fixed-route service.

The Coaster and Amtrak trains provide passenger rail service to the City along the coastal rail corridor. Passenger and freight trains also share the predominately single-track corridor. The Coaster provides commuter rail service between Oceanside and Downtown San Diego with stations in the City at Sorrento Valley, Old Town, and the Santa Fe Depot. Amtrak provides intercity passenger rail service from Downtown San Diego to Los Angeles, and north to San Luis Obispo, which is the second most heavily traveled intercity passenger rail corridor in the nation.

The City of San Diego has a developed network of designated bikeways as described in the City's Bicycle Master Plan. The City's network includes bicycle paths in Mission Valley, Mission Bay Park, and along the beachfronts in Pacific Beach and Mission Beach. Other facilities of significant length can be found in the communities of Carmel Valley, Rancho Peñasquitos, Mira Mesa, Rose Canyon, near the San Diego Airport, and in the Mission Trails Park.

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APPENDIX C

CITY OF SAN DIEGO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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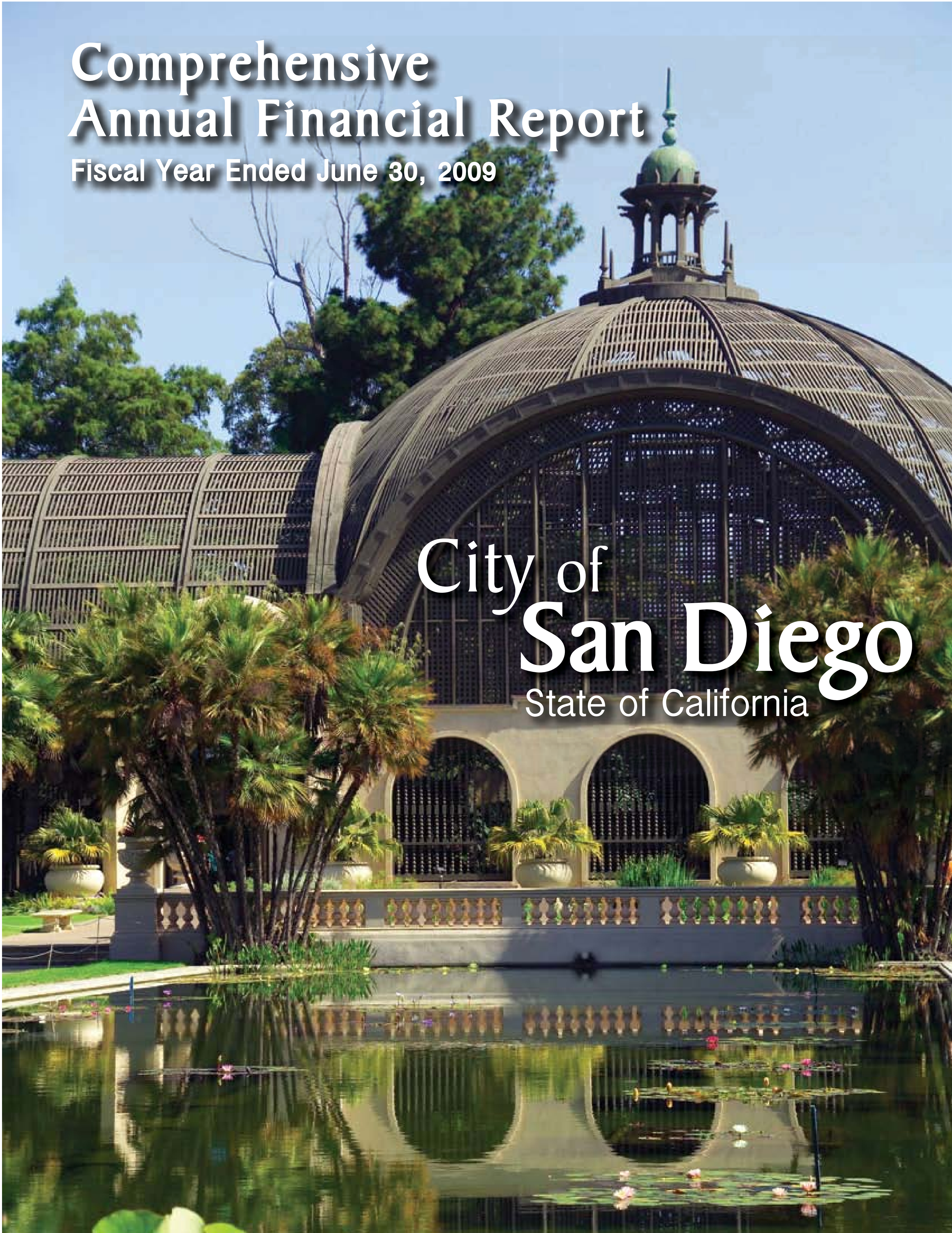
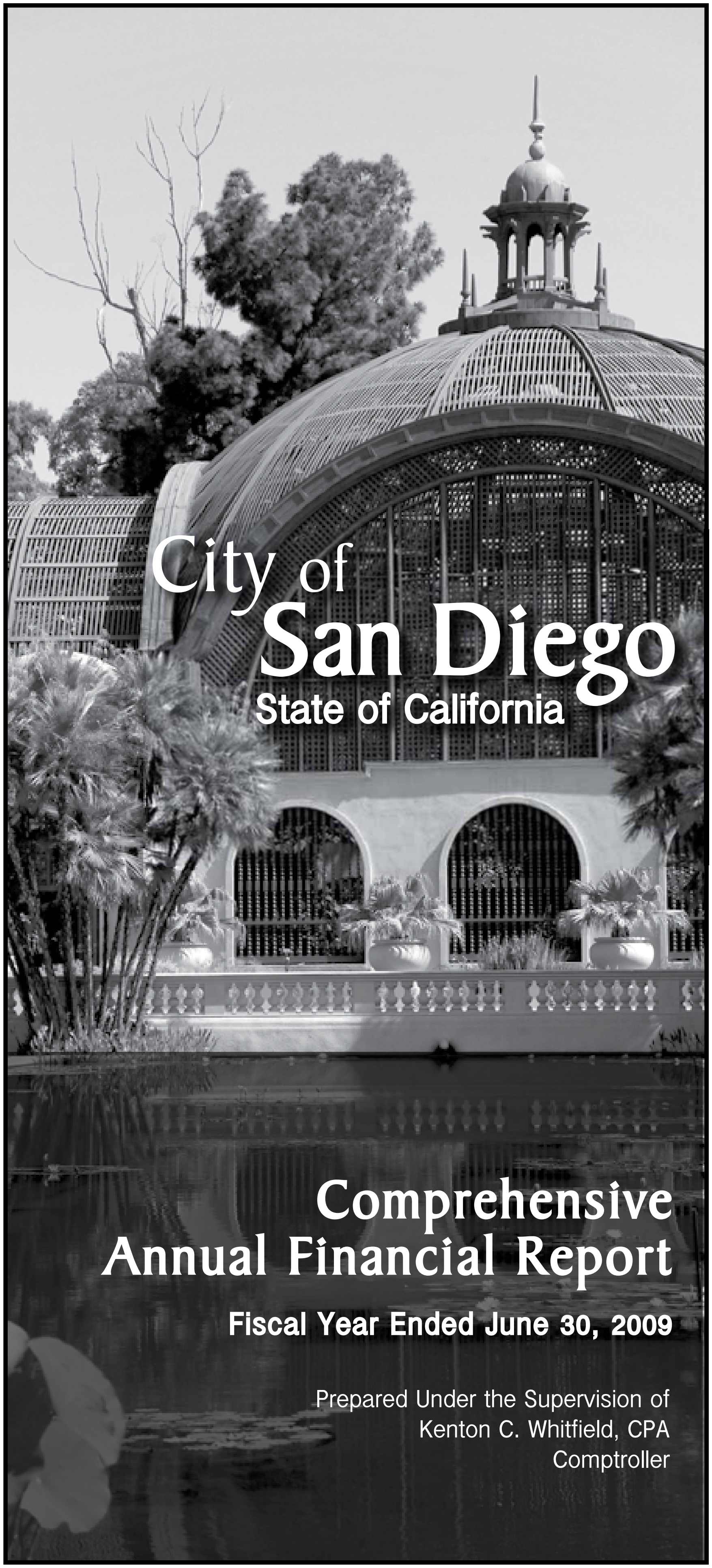
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2009

City of San Diego

State of California





City of San Diego
State of California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2009

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

Printed on Recycled Paper

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For The Fiscal Year Ended June 30, 2009

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For the Fiscal Year Ended June 30, 2009

Forward-Looking Statements

The Comprehensive Annual Financial Report of the City for the fiscal year ended June 30, 2009 (CAFR), including the Letter of Transmittal and the section regarding Management's Discussion and Analysis, contains forward-looking statements regarding the City's business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in the CAFR. Additionally, statements concerning future matters such as City budgets and the financial outlook for future years, the level of City services, California state matters that may impact the City, revenue and expense levels and other statements regarding matters that are not historical are also forward-looking statements.

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

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INTRODUCTORY SECTION

THE CITY OF SAN DIEGO

December 21, 2009

Citizens and Interested Parties,

The San Diego economy has been severely impacted by the ongoing recession and recent economic data is mixed regarding the timing of any potential recovery. Federal stimulus funds contributed to positive GDP growth nationally in the third quarter of calendar year 2009 and local leading economic indicators have increased in each of the past six months showing some economic stabilization. However, State and local unemployment rates are at twenty-five year highs and property foreclosures continue to adversely affect home values. Lower consumer spending has significantly reduced economic activity in the City, resulting in decreased government revenues. Continued revenue reductions will affect the ability of the City to provide services to its citizens.

The City's fiscal challenges have been exacerbated by the State's ongoing budget crisis. The State legislature suspended the requirements of Proposition 1A (2004) in an effort to balance the State's FY 2010 budget. Proposition 1A is intended to prevent local revenues from being taken by the State; however, Proposition 1A can be suspended with the declaration of a fiscal emergency by the Governor and a vote of two-thirds of the Legislature. In fiscal year 2010, the State will borrow approximately $1.9 billion in property tax revenue from local jurisdictions to help balance the State budget; the City's share of this is approximately $35.8 million. However, the City will recover this property tax revenue during fiscal year 2010 through a securitization program established by the California Statewide Communities Development Authority. The State also passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to pay a total of $2.05 billion of their property tax revenues to the State over the next two years. The impact to the City's Redevelopment Agency (RDA) will be approximately $56 million in fiscal year 2010 and $11 million in fiscal year 2011. The State continues to struggle to balance its budget resulting in ongoing uncertainty with respect to the City's expected revenues.

Economic Development Activities

The City addressed the economic downturn in fiscal year 2009 by increasing community investment, promoting business growth and retention, and by competing successfully for federal stimulus funds. The City division of Economic Growth Services (EGS) worked to create and retain jobs and taxable investment in the City of San Diego. EGS consists of two focused work units: the Business Expansion, Attraction, and Retention Team and the Government Incentives Team. These two teams work directly with businesses, business organizations, and City departments to create a business-friendly environment that promotes a stable economy. Economic growth, energy independence, revenue enhancement, and community revitalization are accomplished by attracting new companies, retaining and/or expanding existing companies, making San Diego competitive in emerging markets, and revitalizing older business communities.

Due to the economic downturn, Economic Growth Services has placed a strong emphasis on its business retention mission. In fiscal year 2009 EGS developed and executed successful business retention efforts for Sony Electronics, Cricket Corporation, Circle Foods, Lockheed Martin, Eli Lilly, and CamelBak. These efforts resulted in the creation or retention of approximately 2,900 San Diego based jobs. In the current fiscal year, EGS worked with Alliant Techsystems, Inc to retain or create 200 San Diego based jobs. The capital investments made by the companies EGS assisted in fiscal year 2009 and fiscal year 2010 represent a cumulative investment of more than $368 million of construction and renovation activity for our local economy.

The "Certificate of Deposit Account Registry Service" (CDARS) is a deposit-placement service designed to allow FDIC-insured depository institutions to accept deposits of more than $100,000 (currently $250,000) and obtain full coverage for the depositor by spreading the funds among as many separate FDIC insured institutions as necessary so that no institution holds more than $250,000 (principal plus interest) for each depositor. To support local reinvestment, the City increased its CDARS investment from $5 million to $15 million in fiscal year 2009. The City plans to increase the allowable investment in the CDARS program to approximately $40 million in fiscal year 2010. The authorized CDARS investment program allows the City to invest millions of dollars into fully insured FDIC non-negotiable certificates of deposit. The initial deposit is split among small community banks throughout the country so that any single Certificate of Deposit at a financial institution does not exceed the $250,000 FDIC insurance limit. The banks participating in the CDARS network send an equal amount of funds back to local San Diego banks to ensure that they retain funds equal to the City's initial deposit for reinvestment in the local community. The City's investment in the CDARS program assures that the full amount deposited at local banks stays in San Diego for reinvestment in the community.

According to the stimulus tracking website Recovery.org, California received more American Recovery and Reinvestment Act (ARRA) dollars than any other state and the San Diego region received the second largest total of stimulus dollars of any region in California (trailing Los Angeles). As of November 19, 2009, the San Diego region received 201 projects totaling over $2.1 billion. The City of San Diego can expect to see at least $340 million in stimulus funding. Of this amount, approximately $290 million is for Federal projects and will not come directly through the City; the remaining $50 million is expected to come to the City over the next six months. Projects including the modernization of Otay Mesa's Port of Entry and the San Ysidro border expansion project will alleviate congestion and improve the productivity and efficiency of US/Mexico border relations. This money will come either directly to the City in the form of block grants and competitive awards ($49 million) or to our partner agencies in which the City participates, such as the San Diego Association of Governments and the San Diego Workforce Partnership ($126 million), or to federal agencies pursuing major construction projects within the City of San Diego ($164 million not including military projects). These ARRA funds will be used on transportation, housing, public safety and energy projects that will not only create jobs but will provide long term benefits for the City and the region.

Fiscal Challenges

The City of San Diego has faced significant financial challenges over the last several years and has made a determined effort to improve its overall financial condition and the quality of its financial statements, internal controls, and disclosure controls and procedures. A few of the City's achievements include (1) the release of audited financial statements for fiscal years 2003-2008 in a two year period; (2) the implementation of an annual five-year financial outlook as a prudent planning tool; (3) the strengthening of the City's General Fund reserves; (4) fully funding the Annual Required Contribution (ARC) to the City's pension system since fiscal year 2006; (5) new pension plans for police and for non-public safety employees hired on or after July 1, 2009; (6) participation in a California Public Employees' Retirement System (CALPERs) trust for pre-funding of post-employment healthcare benefits for retired City employees; (7) rating upgrades from the national rating agencies, including, in the case of one agency, the reinstatement of the City's credit rating; and (8) re-entering the public bond market in 2009 and issuing $1.6 billion in debt (new money and refunding) after a five year absence.

The City issued the Fiscal Year 2010 First Quarter Budget Monitoring Report on November 17, 2009, which presented a review of actual expenditures and receipts through September 2009 and projects annual expenditures and revenues for the General Fund through year end. Based on this analysis, the City expects a shortfall of approximately $7.5 million in fiscal year 2010, primarily as a result of declining sales tax and Transient Occupancy Tax (TOT) revenues. The decline in major revenues is partially offset by conservative spending and a hiring freeze that has been in effect since August 2009.

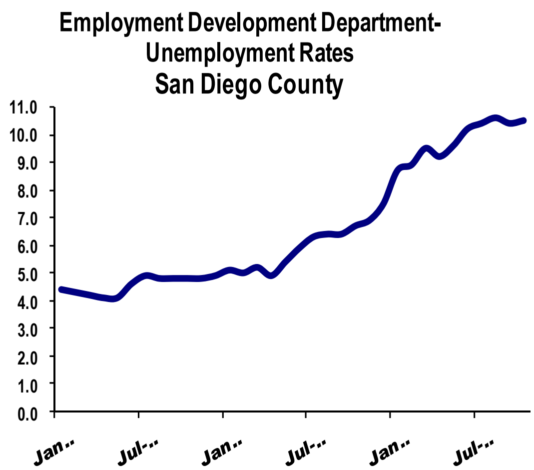
The Five Year Financial Outlook (Outlook) issued on October 1, 2009, identified a projected deficit for fiscal year 2011 of $179 million. The sensitivity analysis in the Outlook estimates a deficit range of $168 to $200 million, primarily resulting from the possible fluctuation of three major revenues: property tax; sales tax; and TOT. On November 24, the Mayor presented a proposed 18 month budget for the remainder of fiscal year 2010 and fiscal year 2011 to remediate the projected fiscal year 2011 deficit of $179 million. On December 14, 2009 the City Council adopted the fiscal year 2010 budget revisions and the fiscal year 2011 proposed budget. The fiscal year 2011 budget framework approved by the City Council includes a combination of transfers, new revenue, and annual expenditure reductions that will impact services to City residents. Further action, including labor negotiations and additional City Council approval, will be necessary to implement all recommended adjustments. If the budget is implemented on January 1, 2010 as recommended, savings of approximately $24 million in fiscal year 2010 will be set aside to assist in balancing the fiscal year 2011 budget.

The City publicly issued a $125 million Tax and Revenue Anticipation Notes (TRAN) on July 1, 2009 and does not currently foresee the need to issue additional notes to meet any General Fund liquidity needs for the remainder of fiscal year 2010. The City treasury holds approximately $2 billion that is invested primarily in US Treasuries and agencies, and consistent with the City's investment policy, has sufficient liquidity to meet all currently foreseeable cash demands. The General Fund reserves are approximately $79 million as of the issuance of this report, which includes $55 million set aside in an Emergency Reserve Fund that can be accessed by a two-thirds vote of City Council.

Readers of these financial statements should pay particular attention to Notes 12, 13, 18, and 22, concerning Pension Plans, Other Post Employment Benefits, Contingencies, and Subsequent Events, respectively. The notes, along with the other financial and operational data included in the City's CAFR, must be read in their entirety to obtain a complete understanding of the City's financial position as of June 30, 2009.

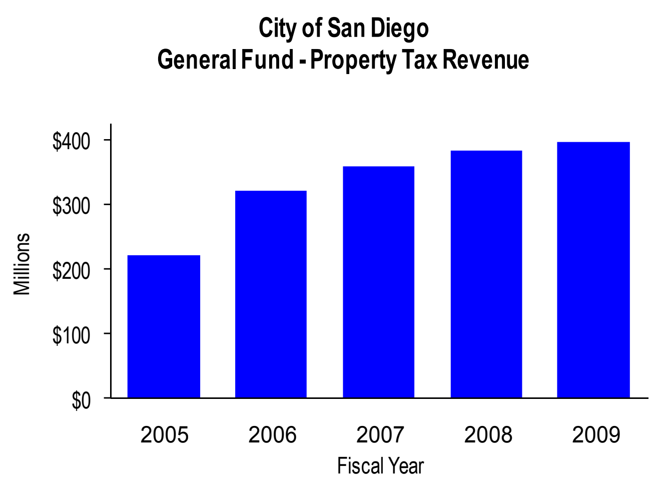
Our Underlying Fundamentals

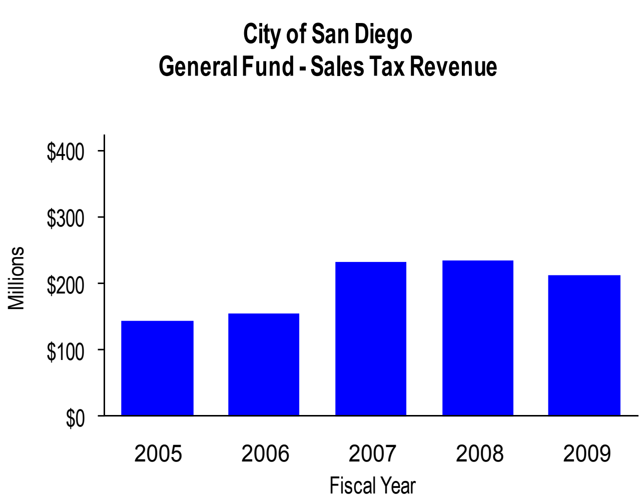
The City has a diversified economy, with the principal employers being government, high-tech industries, particularly biotech and telecommunications, and the tourism industry. The City's economic base is also anchored by higher education and major scientific research institutions, including the University of California, San Diego, San Diego State University, Scripps Research Institute, the Salk Institute for Biological Studies, and the San Diego Supercomputer Center.



Like all regions around the country, San Diego County's economy has been impacted by the economic recession. In the past three years unemployment has more than doubled, rising from an average in 2006 of 4.0% to 10.5% as of October 2009. The recession has slowed both residential and commercial development within our region. This combined with a contraction in business payrolls and reduced travel spending has driven the unemployment rate to historic levels.

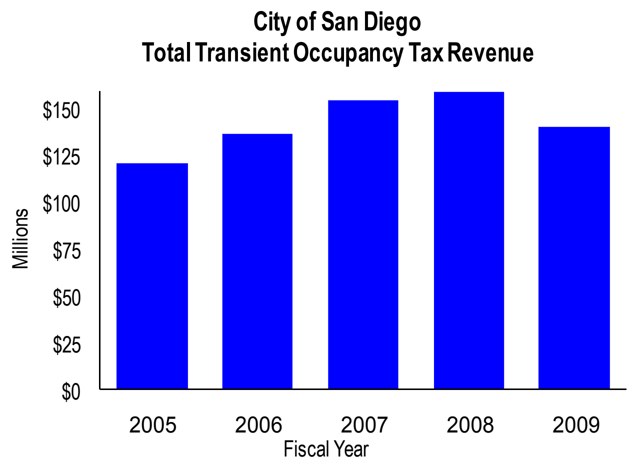
The City's property tax revenue has grown over the last five years, although at a decreasing rate. In fiscal year 2009 General Fund property tax revenues were $398.7 million compared to $384.3 million in fiscal year 2008, representing a 3.8% growth. However, due to the continued decline in home prices, the budgeted fiscal year 2010 property tax revenue in the General Fund was projected to decline 4.0% over fiscal year 2009 actuals. Subsequently, based on updated information from the County, the City revised its estimate for property tax revenue for fiscal year 2010 showing a smaller decrease of 1.5% over the fiscal year 2009 actual property tax revenue.





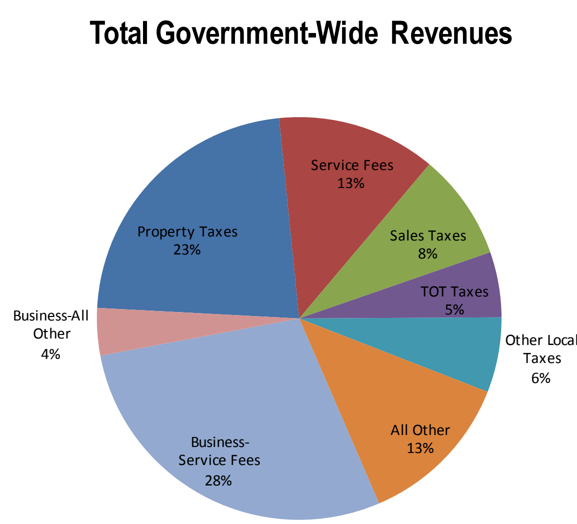
The impact of lower business and consumer spending has had a significant effect on sales tax revenues. In fiscal year 2009, actual General Fund sales tax revenues (including safety sales tax) were $212.9 million, a 9.6% decline from 2008 sales tax revenues of $235.6 million. For fiscal year 2010, the City budgeted a decline of 1.3% in sales tax revenues. However, the first quarter actual sales tax receipts were significantly below the budgeted amount. The City's adjusted projection for fiscal year 2010 is now $191.2 million, or 10.2% lower than actual revenue received for fiscal year 2009.

San Diego remains a top tourist destination due to the region's natural attractions; however, the tourism industry has not escaped the impact of the deteriorating economy. The City's Transient Occupancy Tax (TOT) rate is currently 10.5% and is allocated according to the Municipal Code. As such, the General Fund receives 52% of these revenues to be used for general governmental purposes, and the TOT fund receives the remaining 48% for the purpose of promoting the City as a tourism destination. The General Fund portion of TOT represents approximately 7% of the revenue from the fiscal year 2010 General Fund Adopted Budget. In fiscal year 2009, San Diego experienced an 11.7% decrease in TOT revenue from fiscal year 2008. For fiscal year 2010, the City budgeted an increase of 2.9% in TOT tax over 2009 actuals. Based on receipts from the first three months of fiscal year 2010, the City adjusted its estimate for TOT tax receipts to $127.6 million which reflects a 9.3% decline from fiscal year 2009 actuals.

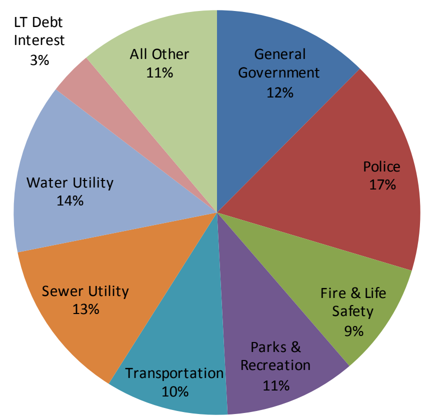


Financial Health

The City's total government-wide revenues, which are generated through a combination of governmental and business-type activities, have remained approximately the same over the prior three years, improving by 1%. While property tax revenues and business-type charges for services revenue for water and wastewater services have grown during this period, sales tax and TOT have declined. For fiscal year 2010, property tax revenue is projected to decline by 1.5%. Other major revenue sources are also trending flat to declining as well. Total government-wide revenues for fiscal year 2009 were $2.7 billion; governmental activities were $1.8 billion and business-type activities were $.9 billion, and are illustrated in the chart to the right.



Total Government-Wide Expenses



Over the last three years, the City's total government-wide expenses have increased approximately 4%. These expenses supported all public services and the significant fiscal obligations of the City, including funding of the City's pension system, post-employment healthcare benefits, and capital improvements. Total expenses for fiscal year 2009 were $2.5 billion. Governmental activities were $1.7 billion, of which 38% was spent on public safety for police, fire, and life safety services. Business-type activities were $.8 billion, of which 85% of these expenses were for water and wastewater expenses.

The City's unfunded pension liability remains a significant obligation of the City. The City has aggressively confronted this deficit, fully funding the City's Annual Required Contribution (ARC) beginning in fiscal year 2006, and has made significant additional payments in excess of the ARC into the pension fund in certain years. The San Diego City Employees' Retirement System (SDCERS) is the administrator of the City's employee pension funds. On an annual basis, the pension fund portfolio and future pension obligations are evaluated by an independent actuary to determine the full pension liability. The June 30, 2008 valuation calculated the unfunded pension liability to be approximately $1.303 billion. The June 30, 2009 actuarial report is not complete as of the issuance of this report.

Pension Funding Progress *(Thousands)*

Actuarial Valuation Date	Actuarial Value of Assets	UAAL	Funded Ratio
6/30/2005	$ 2,983,080	$ 1,452,937	67.3%
6/30/2006	3,981,932	1,000,768	79.9%
6/30/2007	4,413,411	1,184,242	78.8%
6/30/2008	4,660,346	1,303,204	78.2%

In fiscal year 2009, the global financial markets experienced significant declines. The effects of the market declines have been wide ranging and impact even the most diversified investment portfolios. The SDCERS investment portfolio is no exception. SDCERS employs a long-term investment strategy. The City's ARC is determined using an asset smoothing methodology which dampens the volatility of the market value of assets which occurs from fluctuations in market conditions. The ARC payment for fiscal year 2011 has not been determined by the SDCERS actuary as of the issuance of this report; however, it has been estimated by the SDCERS actuary, presented to the Board on July 17, 2009 and September 18, 2009, to be approximately $224 million. This is an increase of $70 million, or 45%, over the ARC payment of $154 million the City is obligated to fund in fiscal year 2010. Any significant increase in the fiscal year 2011 ARC payment will require the City to reduce operating expenses which will affect services and programs.

In fiscal year 2008, Governmental Accounting Standards Board Statement 45 ("GASB 45") went into effect requiring all municipal

Retiree Healthcare Liabilities *(Thousands)*

Actuarial Valuation Date	Actuarial Value of Assets	UAAL	Funded Ratio
6/30/2008	$ 29,637	$ 1,206,070	2.4%
6/30/2009	41,497	1,317,880	3.1%

governments to report on Other Post Employment Benefits (retiree healthcare costs) in a manner similar to reporting on pension benefits. The City's actuarial valuation for retiree healthcare costs estimated an unfunded actuarial accrued liability (UAAL) of $1.318 billion as of June 30, 2009. The City is participating in a trust administered by CalPERS to fund this long-term liability and, to date, has contributed $54 million to the CalPERS trust. The fair value of these assets as of June 30, 2009 was $41.5 million. The City is not currently fully funding the ARC for retiree healthcare, which is $120.3 million for fiscal year 2011. The amount budgeted for fiscal year 2010 is $57.1 million, of which $32.1 million will fund the pay-go portion and $25 million is expected to be transferred to the CalPERS trust by fiscal year end.

Governmental Funds (Tax Supported Operations)

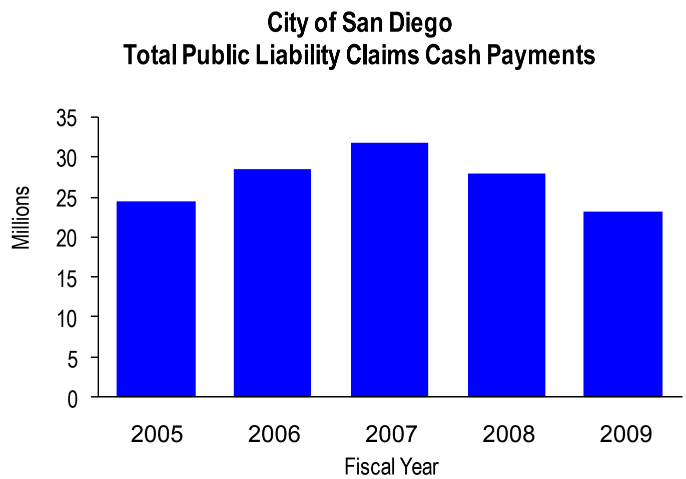
The City's General Fund finished fiscal year 2009 with unrestricted cash and investments of approximately $87 million. As a fiscal precaution against natural disasters or unforeseen events, the City maintains an emergency reserve fund that can only be accessed for qualifying emergencies as declared by the Mayor and/or City Council and approved by at least a 2/3 vote of the City Council. The General Fund Reserve Policy set a funding goal of 7.0% of General Fund revenue by the end of fiscal year 2009. The General Fund reserve was actually 7.7% of General Fund revenue at June 30, 2009, resulting in a total reserve balance of $78.3 million. This balance is reported within the General Fund Balance Sheet as Undesignated Fund Balance. The reserves are currently cash funded within the City Treasury's pooled cash portfolio. The goal is to establish General Fund reserves at 8% of revenues by fiscal year 2012.

The Fiscal year 2010 Budget adopted in June 2009 reflected a reduction of expense growth by reducing program expenditures and imposing an across the board 6% reduction in compensation for all City employees. The City also was successful in redesigning the pension benefit package for most employees hired after July 1, 2009. Due to a projected decline in the City's major revenues, management addressed the City's projected budgetary imbalance by proposing, and City Council then adopting, a Fiscal year 2010 Budget that reduced spending on current services while also attempting to mitigate service level reductions. Council adopted a Fiscal year 2010 Budget in June 2009 that balanced estimated revenues to expenditures.

During fiscal year 2009, total long-term liabilities of the City's governmental activities increased by $198 million. This was primarily the result of the capital improvement 2009A lease revenue bond issue for $103 million for various capital improvement projects and an increase to the Net Other-Postemployment Benefits Obligation of $45 million. Overall, our annual interest costs for governmental activities were approximately $84 million in fiscal year 2009, which represents approximately 5% of our total governmental activities expenses.

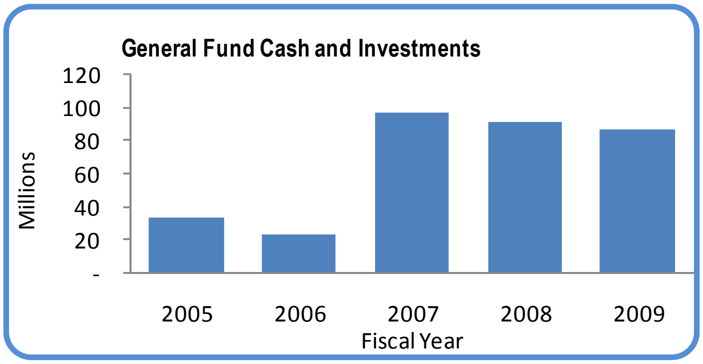
The City's capital assets are essential to providing services to its residents and maintaining the quality of its environment. During fiscal year 2009, total capital assets for governmental activities increased by $120 million. This was funded by a combination of developer contributions, grant monies, and city-funded capital improvement programs.

The City's capital improvement backlog is estimated to be approximately $800 to $900 million according to the most recent Five Year Financial Outlook. This amount is the most recent estimate and includes the cost of needed repairs to City facilities, streets and storm drains but does not include alleys, sidewalks or soft costs. The City is in the process of assessing and updating its cost estimate for its capital improvement backlog. These costs have been deferred because the City has not had the necessary funding resources. As mentioned above, the City issued $103 million in bonds to fund deferred projects during fiscal year 2009. The bond proceeds will be used to fund deferred capital improvement projects within the City.



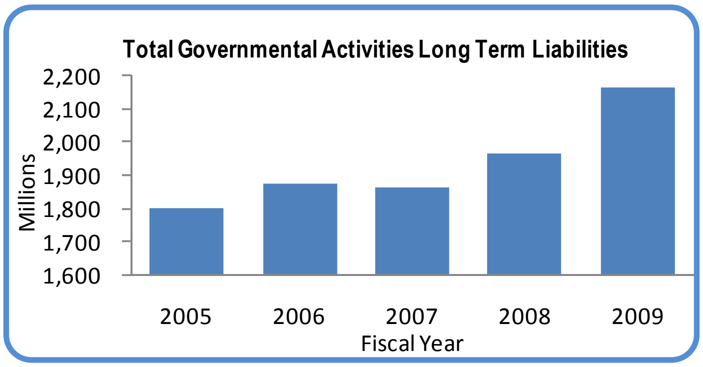
The City's Public Liability Fund, which accounts for governmental fund-related claims, has a deficit of approximately $49 million as of June 30, 2009. This deficit includes an accrued liability for actuarially calculated claims costs, incurred but not reported claims, and allocated and unallocated losses of approximately $59 million, offset with the cash reserves collected in the fund. This fund has seen significantly higher claims since fiscal year 2005, largely as a result of the legal claims and investigations stemming from the pension fund underpayment and related financial disclosure issues; however, most of these unusual costs were paid through fiscal year 2007 and fiscal year 2008. The Workers' Compensation Fund, which accounts for both governmental and business-type claims, has a deficit of $114 million as of June 30, 2009. This deficit includes an accrued liability for actuarially calculated liabilities for open and unreported claims, as well as a provision for the allocated loss adjustment expense totaling approximately $148 million, offset with the cash reserves collected in the fund. The total liability for workers compensation has declined since fiscal year 2007 due to a downward trend in the number of claims and the effect of State legislation regarding workers compensation reform enacted in 2004. Per the City Reserve Policy, the City has budgeted funds annually to establish cash reserves to reach the goal of 50% of the estimated outstanding liabilities in each fund. While the City is committed to funding reserves in the Worker's Compensation and Public Liability funds, and has included funding for these reserves in the fiscal year 2010 budget, the goal of funding 50% of outstanding liabilities in both funds by 2014 is being reassessed given the economic downturn and continued decline in General Fund revenues.

Governmental Activities Key Indicators



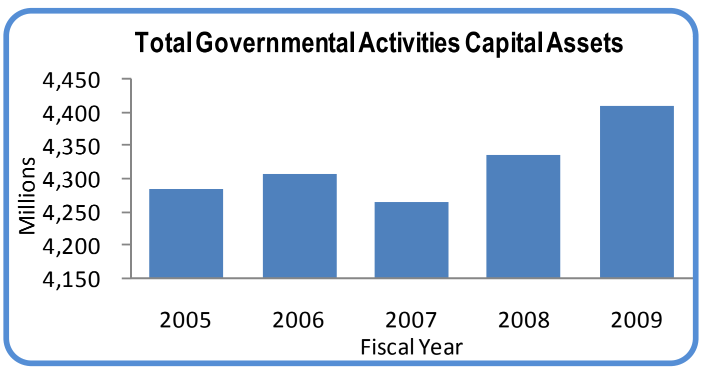
General Fund Cash

Continued expenditure savings due to vacancies and management imposed reductions in discretionary spending have helped the City to maintain a relatively stable cash position.



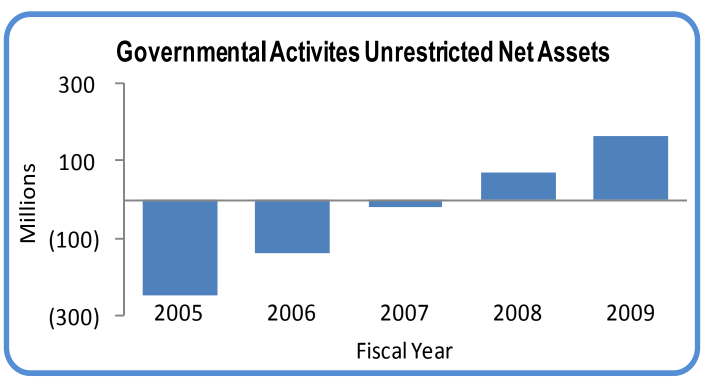
Total Long Term Liabilities

The City issued $103 million in Lease Revenue Bonds to finance various public improvements during FY 2009. The City's obligation related to Other Post-employment Benefits also increased $45 million in FY 2009, together creating an increase in total long term liabilities of approximately 10.1%.



Capital Assets

Capital Assets increased by approximately $120 million during FY 2009. This included capital expenditures related to the City's new ERP system, seismic retrofitting of the City's bridge infrastructure, and infrastructure and improvements to repair street damage resulting from the Mt. Soledad landslide.



Unrestricted Net Assets

Unrestricted Net Assets increased approximately $92 million in FY 2009. This was primarily the result of Redevelopment Agency revenues exceeding expenses to fund multi-year capital improvements.

Business-Type Activities

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

The City's Water Utility Fund issued $485 million of Water Revenue and Revenue Refunding Bonds, Series 2009A and 2009B during fiscal year 2009 to prepay outstanding principal of $207 million of Subordinated Water Revenue Notes, Series 2007A and 2008B; refund $94 million of Certificates of Undivided Interest, Series 1998 monies; and to finance capital improvements on the water system. The publicly offered Water 2009A and 2009B Revenue Refunding Bonds are secured by and payable solely from net system revenues of the Water Utility Fund. The City's Wastewater Utility Fund issued $1.089 billion of Senior Sewer Revenue Bonds to finance capital improvements to the wastewater system; fully refund $224 million in wastewater revenue notes; and to refund approximately $683 million in wastewater revenue bonds. The net change in these notes and bonds payable during fiscal year 2009 is the primary reason the business-type long term liabilities increased $344 million over fiscal year 2008.

For the year ended June 30, 2009, the City's business-type activities closed with restricted and unrestricted cash and investment balances totaling $1.2 billion, an increase over fiscal year 2008 of approximately $319 million as a result of the debt issues discussed above.

While the City's capital assets for business-type activities have continued to increase in value, deferred maintenance remains an ongoing challenge. The City maintains a network of over 3,000 miles of water pipes and over 3,000 miles of sewer and waste water lines.

Compliance with environmental regulations generally requires infrastructure construction, including the replacement of water distribution systems, treatment plant upgrades, the replacement of wastewater collection systems, and improving sewage treatment capacity. The City has agreed with various state and federal regulators to build significant infrastructure upgrades. In June 2009, the City received tentative approval of a third five-year waiver permit from the Environmental Protection Agency (EPA) and the state Regional Water Quality Control Board to continue operating the Point Loma Wastewater Treatment Plant at advanced primary treatment level. The City is still working with the California Coastal Commission to receive final wording on a consistency determination in support of this EPA decision. The resolution is anticipated in early 2010.

The City is also facing challenges to the future of its water supplies. A persistent regional drought and judicial decisions regarding management of the State Water Project has put significant pressure on San Diego's regional water supplies. The City of San Diego imports as much as 90% of its water supply. The reliability of that supply has been reduced because of court decisions, weather conditions, the diminishing availability of stored water, and dwindling supplies of new water. The City continues to work with its water wholesalers (the San Diego County Water Authority and the Metropolitan Water District of Southern California) to address these supply issues but currently operates under a mandatory water conservation target to achieve an 8% reduction in overall use. The City's performance from June through September has averaged a monthly reduction of over 12%. The availability of water has legal implications and could potentially affect City Council findings regarding state mandated water supply assessments for future development. These assessments must demonstrate the long-term availability of water for large projects before those projects can be approved by local jurisdictions. At this time, it is unclear what effect limitations to water supplies would have on the City's economy and its revenues as the most recent project assessments have all been able to find potable water offsets through the increased use of reclaimed water. The Mayor also proposed and the City Council approved in October 2009 a revised Landscape Ordinance in advance of the state's requirement to do so by January 2010. The City is also moving forward with the California Department of Public Health to undertake a demonstration project intended to verify that highly treated municipal wastewater can be placed in a drinking water reservoir.

Best Practice Operating Improvements

The City took a major leap forward on July 1, 2009 when it went live with its new SAP Enterprise Resource Planning (ERP) financial system. After two years of planning, the City successfully began the transition to an integrated financial system which allowed us to eliminate over a dozen legacy software applications. Throughout fiscal year 2010, core functionality modules will be implemented, eliminating even more costly legacy software applications and hardware. The addition of the ERP system and a well trained workforce are expected to significantly improve the City's financial operations and reporting capabilities.

Internal controls over financial operations and reporting continue to be a focus issue for the City. As part of the ERP system, the City has invested in an integrated internal controls module called Governance, Risk and Compliance (GRC). GRC, coupled with new process and procedure documents, are expected to improve our internal control environment. In addition, the City has established a comprehensive plan and has the proper staffing in place to complete the remediation of weaknesses in internal controls over financial reporting within 14 months.

The Five Year Financial Outlook

In October 2009, the City released an updated Five-Year Financial Outlook (the Outlook) for fiscal years 2011 through 2015. This document is an examination of the City's long range fiscal condition and financial challenges. The City updates the Outlook periodically to account for changed circumstances.

The City's General Fund was the primary focus of the 2011-2015 Outlook. Approximately 68% of the City's major revenues consist of four revenue sources: property tax, sales tax, TOT, and franchise fees. Nearly 70% of the City's General Fund expenditures are personnel expenses. Negative economic factors have resulted in a downward revision to revenue projections for the fiscal year 2010 annual budget, which served as a base for the Outlook. The Outlook discussed risks and opportunities that affect fiscal decisions and the City's ability to accomplish its strategic financial goals over the next five-year period. These goals include:

- Meet contractual obligations and fund mandated programs
- Contribute the full payment of the Annual Required Contribution (ARC) for the City's pension system
- Maintain or enhance General Fund and other reserves according to the City's Reserve Policy
- Preserve City services to the fullest extent possible

Five Year Outlook for Fiscal Years 2011 - 2015					
GENERAL FUND	**Forecast FY 2011**	**Forecast FY 2012**	**Forecast FY 2013**	**Forecast FY 2014**	**Forecast FY 2015**
Projected Revenues					
Property Tax	$ 396.4	$ 404.5	$ 416.7	$ 433.4	$ 450.7
Sales Tax	182.7	192.7	200.2	208.1	218.8
Transit Occupancy Tax	71.9	74.1	76.7	79.7	82.9
Franchise Fees	75.0	76.7	78.5	80.3	82.2
Other Revenues	335.6	346.1	353.3	355.3	362.0
	1,061.6	**1,094.1**	**1,125.4**	**1,156.8**	**1,196.6**
Projected Expenses					
Salary, Wages & Benefits	611.8	620.9	627.2	636.2	622.7
Operating Expenses	351.5	363.1	366.0	382.5	390.6
Pension Expense	217.8	206.5	225.2	242.5	258.7
Retiree Healthcare Expense	43.2	46.8	50.4	54.2	57.8
General Fund Reserves	4.2	7.9	2.5	2.5	3.2
Liability Funding	12.2	7.8	10.1	4.8	-
	1,240.7	**1,253.0**	**1,281.4**	**1,322.7**	**1,333.0**
General Fund Projected Shortfall	**$ (179.1)**	**$ (158.9)**	**$ (156.0)**	**$ (165.9)**	**$ (136.4)**

The impact of continued declines in major revenue sources and increased costs for pension funding are the leading factors in the fiscal year 2011 forecasted budget deficit of $179 million.

Because of the severity of the budget shortfall, the Mayor has indicated that cuts to services and programs will be inevitable in order for the City to maintain a balanced budget. Within the City, this will mean a workforce reduction combined with expenditure savings from reduced or eliminated programs and services. The Mayor’s budget plan for fiscal year 2011 does not include contributions to fund reserves; however, the plan proposes that reserves will not be spent and will be maintained at current levels.

Looking Forward

These are difficult economic times, and the City has set challenging goals for its future. The City believes these goals are achievable with continued fiscal discipline and greater government efficiency. In some revenue categories, San Diego has relatively low taxes and fees compared to most other large municipalities in the United States. San Diego enjoys an ideal location with agreeable weather year round. The diversity of industry, education and tourism well positions the City for an early economic rebound when the economy begins its eventual recovery.

Out of these challenging times, San Diego is restructuring its operations, services and programs so that the City will emerge with a sound, fundamentally sustainable municipal business model. We have addressed the issues that have created prior difficulties for this City, and we are structuring ourselves for long-term solvency and flexibility. We will continue to live within our means and balance our annual budgets.

Purpose, Background, and Scope of this Report

San Diego City Charter § 111 requires the City to submit an annual report, including a Statement of Net Assets, and requires that all accounts of the City be audited by an independent auditor. Pursuant to this requirement, the Comprehensive Annual Financial Report ("CAFR") of the City of San Diego ("City") for the fiscal year ended June 30, 2009, is hereby submitted. The audit firm of Macias Gini & O'Connell LLP has issued an unqualified opinion on the City of San Diego's financial statements. The independent auditor's report is located at the front of the financial section of this report.

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

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

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

- The introductory section includes information about the organizational structure of the City, the City's economy, and selected other financial information.

- The financial section is prepared in accordance with governmental accounting standards. It includes the MD&A (unaudited), the independent auditor's report, the audited basic financial statements, notes to the basic financial statements, required supplementary information (unaudited), and supplementary information (unaudited).

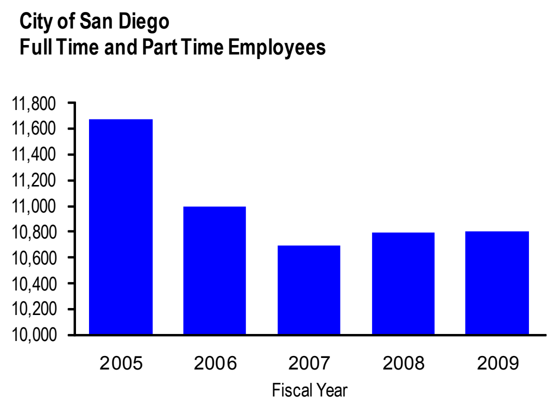
- The statistical section contains historical statistical data on the City's financial data and debt statistics, as well as miscellaneous physical, demographic, economic, and social data of the City. This section of the CAFR is unaudited.

Profile of the City of San Diego

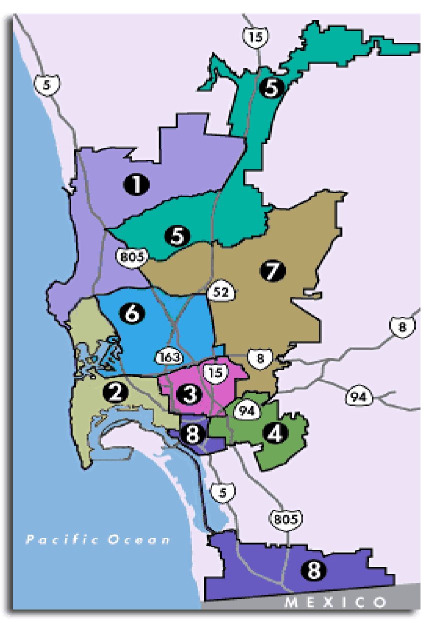
The City of San Diego was incorporated in 1850. The City comprises 342 square miles and, as of January 1, 2009, the California Department of Finance estimates the population to be 1,353,993. The City, with approximately 10,800 employees, provides a full range of governmental services including police and fire protection, sanitation and health services, the construction and maintenance of streets and infrastructure, recreational activities and cultural events, and the maintenance and operation of the water and sewer utilities.

Governing Structure

The City operates under and is governed by the laws of the State of California and its own Charter, as periodically amended since its adoption by the electorate in 1931. The City is currently operating under a Strong-Mayor form of government. The departure, on an interim trial basis, from the City's previous Council-Manager form of government was approved by a vote of the public and became effective January 1, 2006. The Mayor is elected at large to serve a four-year term.



City of San Diego Council District Map



Under the Strong-Mayor form of government, the Mayor is the Chief Executive Officer of the City and has direct oversight over all City functions and services except for the City Council, Personnel, City Clerk, Independent Budget Analyst (IBA), City Attorney, and City Auditor departments. Under this form of government, the City Council is composed of eight members and is presided over by the Council President, who is selected by a majority vote of the City Council. The Mayor presides over City Council in closed session meetings of the Council. The Council retains its legislative authority; however, all City Council resolutions and ordinances are subject to a veto of the Mayor except for certain ordinances including emergency declarations and the City's annual Salary and Appropriations Ordinances. The City Council may override a Mayoral veto with five votes. The City Attorney, who is elected for a four-year term, serves as the chief legal advisor of and attorney for the City and all departments.

During the County's primary election held on June 3, 2008, voters approved Proposition B which requires City Council to place a measure on the June 2010 ballot to allow voters to decide whether the Strong-Mayor form of government should become permanent effective January 1, 2011. Additionally, Proposition B provides for the public to decide whether the number of City Council districts should increase from eight to nine, and therefore, a corresponding increase of City Council votes required to override the Mayor's veto from five to six. Additionally, voters approved Proposition C, which separated the City Auditor's Office from the Comptroller's Office and made the Office of the IBA permanent. Under this amendment, the City Auditor serves a ten-year term and is supervised by an Audit Committee consisting of two Councilmembers and three members of the public with auditing expertise, who are appointed by the City Council. This amendment also provides that the Mayor will appoint, with City Council confirmation, the Chief Financial Officer. In addition, the Mayor's appointment of the City Treasurer no longer requires City Council confirmation.

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

Mayor Jerry Sanders

District 1
Councilmember Sherri Lightner

District 5
Councilmember Carl DeMaio

District 2
Council President Pro Tem
Kevin Faulconer

District 6
Councilmember Donna Frye

District 3
Councilmember Todd Gloria

District 7
Councilmember Marti Emerald

District 4
Councilmember Tony Young

District 8
Council President Ben Hueso

City Attorney
Jan Goldsmith

<u>Other City Officials</u>

Jay M. Goldstone, Chief Operating Officer

Mary Lewis, Chief Financial Officer

Kenton C. Whitfield, City Comptroller

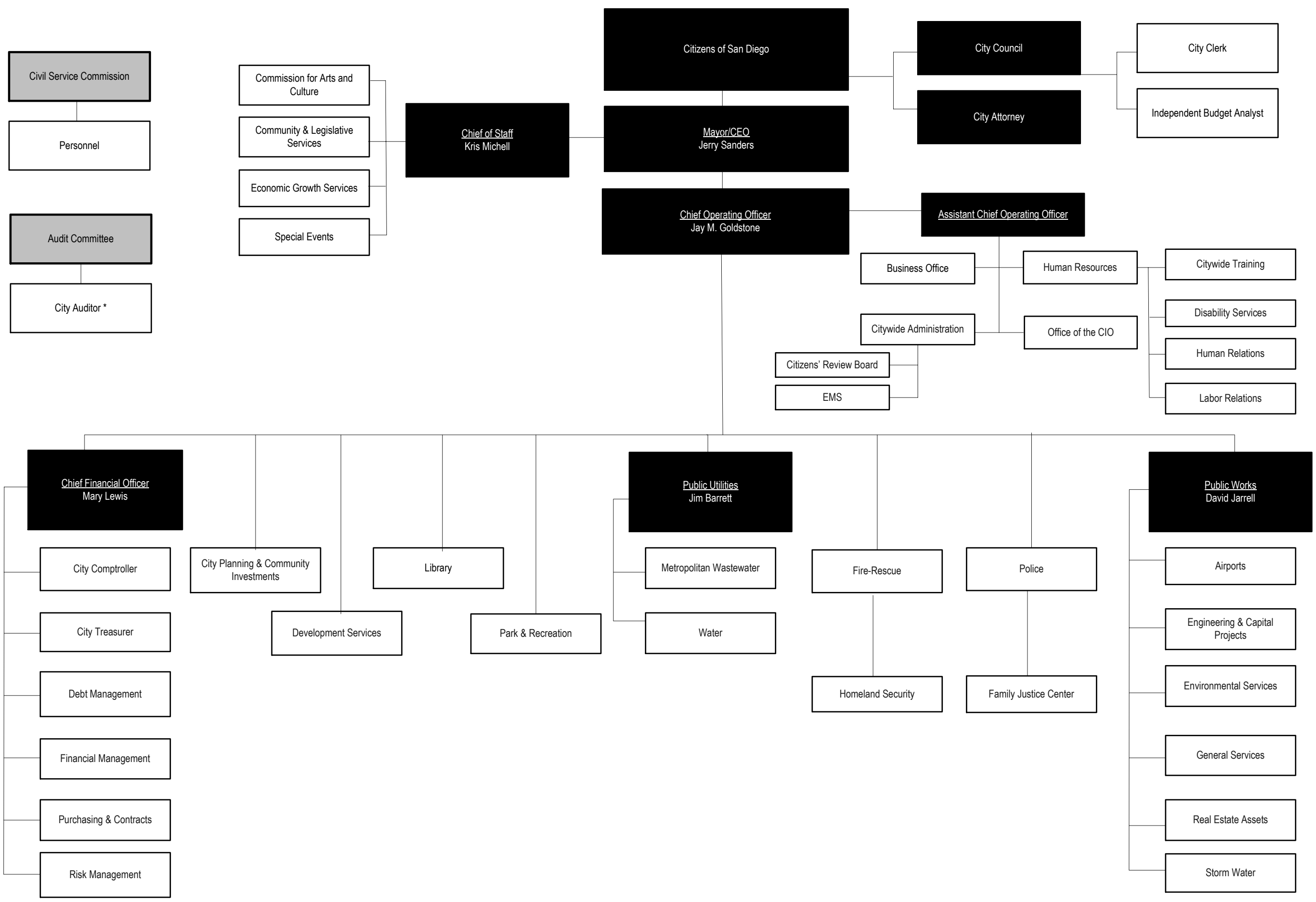
Gail R. Granewich, City Treasurer

Elizabeth Maland, City Clerk

Andrea Tevlin, Independent Budget Analyst

Eduardo Luna, City Auditor

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



* Proposition C, passed in June 2008, provides that the City Auditor shall report to and be accountable to the Audit Committee. To complete the enacting measure for Proposition C, the City Auditor must be appointed by the City Manager (Mayor), in consultation with the Audit Committee, and confirmed by the City Council. This organization chart reflects the reporting structure called for in Proposition C, which will be in effect following that Council action.

Financial Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement 14, the following component units are incorporated into the accompanying financial statements:

- Centre City Development Corporation (CCDC)
- City of San Diego Metropolitan Transit Development Board Authority (MTDB)
- Redevelopment Agency of the City of San Diego (RDA)
- San Diego Data Processing Corporation (SDDPC)
- San Diego Housing Commission (SDHC)
- San Diego Open Space Park Facilities District #1
- Community Facilities and Other Special Assessment Districts
- Tourism Marketing District
- Convention Center Expansion Financing Authority (CCEFA)
- San Diego City Employees' Retirement System (SDCERS)
- Public Facilities Financing Authority (PFFA)
- San Diego Convention Center Corporation (SDCCC)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- Southeastern Economic Development Corporation (SEDC)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)

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

Budgetary Process

Pursuant to the City Charter, an annual budget is presented by the Mayor to the City Council for consideration. Set forth in this budget are the anticipated revenues and expenditures of the General Fund, certain special revenue funds, enterprise funds, and certain debt service funds for the ensuing fiscal year. Additionally, project-length financial plans are presented to and adopted by the City Council for the capital projects funds. The legal level of budgetary control for the City's general fund is exercised at the salaries and wages and non-personnel expenditures level. Budgetary control for the other budgeted funds, including those of certain component units, is maintained at the total fund appropriation level. Copies of the City's budgets are available at the Financial Management Office located at 202 C Street, MS8A, San Diego, CA 92101.

The City continues to look for ways to improve the effectiveness and efficiency of its operations. The focus now is on crafting policy that will ensure a continued commitment to strong financial stewardship.

Sincerely,

Jerry Sanders
Mayor

Jay M. Goldstone
Chief Operating Officer

Mary Lewis
Chief Financial Officer

Kenton C. Whitfield
City Comptroller

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FINANCIAL SECTION

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Certified Public Accountants & Management Consultants

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San Diego, CA 92101
619.573.1112

SACRAMENTO

OAKLAND

WALNUT CREEK

LOS ANGELES

NEWPORT BEACH

INDEPENDENT AUDITOR'S REPORT

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

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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Diego Housing Commission, a discretely presented component unit, which statements reflect 90%, 95% and 85% of the total assets, total net assets and total revenues, respectively, of the aggregate discretely presented component unit totals. Also, we did not audit the Southeastern Economic Development Corporation, a blended component unit, which statements reflect less than 1% in each of the total assets, total net assets and total revenues categories, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Diego Housing Commission and the Southeastern Economic Development Corporation is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* effective July 1, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, schedules of funding progress and schedule of contributions from employer and other contributing entities, and general fund budgetary information on pages 35 through 48, 168, and 172 through 174, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

San Diego, California
December 21, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
(In Thousands)
June 30, 2009

As management of the City of San Diego (City), we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009.

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 entity's operational accountability to its readers, giving information about the probable medium and long-term effects of past decisions on the government's financial position.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing changes in the City's net assets during the fiscal year 2009. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The focus is on both gross and net costs of City functions, which are supported by general revenues. This Statement also distinguishes functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: General Government and Support; Public Safety - Police; Public Safety - Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; and Neighborhood Services. The business-type activities of the City include: Airports; City Store; Development Services; Environmental Services; Golf Course; Recycling; Sewer Utility; and Water Utility.

The government-wide financial statements include the City (known as the primary government) and the following legally separate, discretely presented component units: San Diego Convention Center Corporation (SDCCC); and San Diego Housing Commission (SDHC). Financial information for these component units is reported separately from the financial information presented for the primary government. Blended component units, also legally separate entities, are a part of the government's operations and are combined with the primary government.

Included within the primary government as blended component units:

- Centre City Development Corporation (CCDC)
- City of San Diego Metropolitan Transit Development Board Authority (MTDB Authority)
- City of San Diego Tobacco Settlement Revenue Funding Corporation (TSRFC)
- Community Facilities and Other Special Assessment Districts
- Convention Center Expansion Financing Authority (CCEFA)
- Public Facilities Financing Authority (PFFA)
- Redevelopment Agency of the City of San Diego (RDA)
- San Diego City Employees' Retirement System (SDCERS)
- San Diego Data Processing Corporation (SDDPC)

- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- San Diego Open Space Park Facilities District #1
- Southeastern Economic Development Corporation (SEDC)
- Tourism Marketing District (TMD)

The government-wide financial statements can be found beginning on page 52 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both of the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the Supplementary Information section of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget and is presented as required supplementary information.

The basic governmental funds financial statements can be found beginning on page 56 of this report.

PROPRIETARY FUNDS

The City maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its various business-type activities, such as Sewer and Water Utilities. Internal Service funds, such as Fleet Services, Central Stores, Publishing Services, and Self Insurance, are used to report activities that provide centralized supplies and/or services to the City. All internal service funds, except for the Special Engineering Fund, have been included within governmental activities in the government-wide financial statements since they predominantly benefit governmental functions. The Special Engineering Fund, which services exclusively Sewer and Water activities, has been included within business-type activities in the government-wide financial statements.

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 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 60 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 63 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 65 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and postemployment healthcare benefits to its employees, and the General Fund's budgetary comparison schedule. Required supplementary information can be found beginning on page 170 of this report.

The individual fund data referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions and the General Fund budgetary comparison schedule, beginning on page 199 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Capital Assets	$ 4,455,525	$ 4,335,317	$ 4,766,721	$ 4,634,918	$ 9,222,246	$ 8,970,235
Other Assets	2,110,185	2,096,751	1,357,070	1,031,815	3,467,255	3,128,566
Total Assets	6,565,710	6,432,068	6,123,791	5,666,733	12,689,501	12,098,801
Net Long-Term Liabilities	2,164,276	1,965,991	2,413,033	2,068,569	4,577,309	4,034,560
Other Liabilities	143,231	312,696	110,479	108,455	253,710	421,151
Total Liabilities	2,307,507	2,278,687	2,523,512	2,177,024	4,831,019	4,455,711
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	3,530,937	3,518,704	2,970,351	2,933,012	6,501,288	6,451,716
Restricted	564,605	564,042	42,485	39,436	607,090	603,478
Unrestricted	162,661	70,635	587,443	517,261	750,104	587,896
Total Net Assets	$ 4,258,203	$ 4,153,381	$ 3,600,279	$ 3,489,709	$ 7,858,482	$ 7,643,090

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $7,858,482 at June 30, 2009, an increase of $215,392 over fiscal year 2008.

$6,501,288, or approximately 82%, of total Net Assets represent the City's investment in capital assets (e.g., land, structures and improvements, equipment, distribution and collections systems, infrastructure, and construction-in-progress), less any outstanding debt used to acquire these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally are not used to liquidate these liabilities.

$607,090, or approximately 8%, of total Net Assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of $750,104, or approximately 10%, is available to finance ongoing services and obligations to the City's citizens and creditors.

Unrestricted Net Assets increased by $162,208, or approximately 28%. Approximately $70,000 of this increase was in the Business-Type activities, primarily attributed to Council approved rate increases. Governmental activities increased by approximately $92,000. This was primarily the result of revenues exceeding expenses for RDA by approximately $70,000. RDA projects are multi-year in nature, and therefore, revenues collected on an annual basis are often budgeted for future larger construction phases of the projects. In addition, RDA experienced increased property tax revenues from fiscal year 2008 to 2009. Another material increase was a $20,000 increase to debt service reserves not legally restricted but internally set aside.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues						
Charges for Current Services	$ 345,532	$ 289,985	$ 771,725	$ 772,602	$ 1,117,257	$ 1,062,587
Operating Grants and Contributions	93,244	75,126	1,739	2,312	94,983	77,438
Capital Grants and Contributions	110,802	78,347	60,863	58,400	171,665	136,747
General Revenues						
Property Taxes	607,857	576,605	-	-	607,857	576,605
Transient Occupancy Taxes	140,657	159,348	-	-	140,657	159,348
Other Local Taxes	161,485	151,267	-	-	161,485	151,267
Grants and Contributions not Restricted to Specific Programs	8,488	6,251	-	-	8,488	6,251
Sales Taxes	229,651	269,757	-	-	229,651	269,757
Investment Income	75,245	96,725	31,004	41,224	106,249	137,949
Other	51,598	85,785	8,257	7,850	59,855	93,635
Total Revenues	1,824,559	1,789,196	873,588	882,388	2,698,147	2,671,584
Expenses:						
General Government and Support	303,581	322,157	-	-	303,581	322,157
Public Safety-Police	418,549	382,907	-	-	418,549	382,907
Public Safety-Fire, Life Safety, Homeland Security	220,787	204,822	-	-	220,787	204,822
Parks, Recreation, Culture and Leisure	258,038	231,955	-	-	258,038	231,955
Transportation	239,305	212,255	-	-	239,305	212,255
Sanitation and Health	77,447	51,772	-	-	77,447	51,772
Neighborhood Services	116,735	91,110	-	-	116,735	91,110
Debt Service:						
Interest on Long-Term Debt	84,070	82,211	-	-	84,070	82,211
Airports	-	-	5,140	4,109	5,140	4,109
City Store	-	-	321	788	321	788
Development Services	-	-	47,260	51,461	47,260	51,461
Environmental Services	-	-	35,718	37,279	35,718	37,279
Golf Course	-	-	11,864	11,142	11,864	11,142
Recycling	-	-	20,067	20,511	20,067	20,511
Sewer Utility	-	-	314,125	322,552	314,125	322,552
Water Utility	-	-	329,748	321,123	329,748	321,123
Total Expenses	1,718,512	1,579,189	764,243	768,965	2,482,755	2,348,154
Change in Net Assets Before Transfers:	106,047	210,007	109,345	113,423	215,392	323,430
Transfers	(1,225)	3,551	1,225	(3,551)	-	-
Net Change in Net Assets	104,822	213,558	110,570	109,872	215,392	323,430
Net Assets - July 1	4,153,381	3,939,823	3,489,709	3,379,837	7,643,090	7,319,660
Net Assets - June 30	$ 4,258,203	$ 4,153,381	$ 3,600,279	$ 3,489,709	$ 7,858,482	$ 7,643,090

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net assets by $104,822 during fiscal year 2009. Variances from fiscal year 2008 of more than 10% are discussed below.

- Charges for Services increased by $55,547, or approximately 19%. The Special Engineering Fund was closed out during fiscal year 2009, and all Water and Sewer engineering positions were transferred to the General Fund. Charges for Services revenue increased as a result of those engineers billing Water and Sewer capital improvement projects.

- Operating Grants and Contributions increased by $18,118, or approximately 24%, mainly due to an increase in Community Development Block Grant (CDBG) revenues. This was primarily the result of CDBG funded projects for non-City owned assets for various public improvements.

- Capital Grants and Contributions increased by $32,455, or approximately 41%, which was caused by several factors. The City was awarded two new grants related to a 2007 landslide in the La Jolla area. The first was a Homeland Security grant for the Desert View Drive Area of La Jolla ($6,800), and the second was a federal grant for the Mount Soledad Road area ($11,900). In addition, there were increased revenues recognized for several other Capital Outlay grants including a Seismic Retrofit federal grant ($5,500), a Prop1B State Grant ($4,500), and a La Jolla/Pacific Beach/Ocean Beach/Mission Bay Water grant ($1,200). Donated capital assets increased by $8,900, which included park land turned over to the City ($3,200) and land exchanged with the County for open space ($2,600). These increases were offset by a decrease of approximately $9,400 in CDBG related capital projects for city-owned public improvements.

- Transient Occupancy Taxes decreased by $18,691, or approximately 12%, primarily due to the economic downturn in San Diego's tourism industry.

- Grants and Contributions not Restricted to Specific Programs increased by $2,237, or approximately 36%, primarily due to one-time revenue received by RDA for the sale of downtown condominium units, pursuant to a participation agreement with a developer.

- Sales Taxes decreased by $40,106, or approximately 15%. The General Fund's sales tax revenue decreased by approximately $22,700, primarily due to declining retail sales as part of the overall downturn in the economy. TransNet's sales tax revenue decreased by approximately $15,000. In fiscal year 2008 the City was awarded $4,900 for the Bike Lanes and Major Corridor Programs, and in fiscal year 2009 the City was not awarded any new funds for these programs. In addition, SANDAG deferred approximately $5,500 in sales tax disbursements to the City because the City was in violation of a SANDAG Board ruling which states that the City cannot maintain a balance in excess of 30% of the yearly apportionment. SANDAG deferred disbursement until the balance in the fund is reduced to meet the 30% rule.

- Investment Income decreased by $21,480, or approximately 22%, primarily due to declining interest rates during 2008 and a decrease in interest income from the reinvestment of the investment pool's assets at these record low interest rates.

- Other Revenue decreased by $34,187, or approximately 40% primarily due to a $20,200 decrease in Proceeds from Land Sales. Due to the real estate market decline, the City has not sold the remaining parcels that were designated for disposition as part of the portfolio management plan for the City. There were also decreases in developer contributions in the Impact Fees Fund of $9,300 and the Facilities Benefit Assessment Fund of $2,400. These decreases were attributed to several communities, mainly Centre City ($7,000), but also including smaller decreases in Uptown Urban Communities, Pacific Highlands Ranch, and Scripps Miramar Ranch.

- Parks, Recreation, Culture and Leisure expense increased by $26,083, or approximately 11%, primarily due to the creation of the new Tourism Marketing District (TMD). Fiscal Year 2009 was the first full year for the TMD, causing an increase in expenditures of approximately $9,500. There were also increases in depreciation of governmental capital assets in the amount of $6,700 and Net Pension Obligation expense of $6,900.

- Transportation expense increased by $27,050, or approximately 13%, primarily due to the Underground Surcharge expenses. Since the underground program is funded by SDG&E franchise revenues, which came in lower than anticipated during fiscal year 2008, expenditures for the undergrounding of utility lines increased by approximately $17,000 during fiscal year 2009 when revenues came in higher. Expenses related to the addition of the new Right of Way Design Program also increased by approximately $6,400.

- Sanitation and Health expense increased by $25,675, or approximately 50%, primarily due to an increase in the General Fund's Storm Water department expenditures. The City's Storm Drain and Street Sweeping programs were transferred to the Storm Water department from the Streets and Public Safety-Police departments, which accounted for an increase of approximately $20,200. In addition, the Convention Center Fund paid $5,900 for a one-time capacity fee adjustment for the annual cost of effluent dewatering.

- Neighborhood Services expense increased by $25,625, or approximately 28%. This increase was primarily the result of a settlement agreement with the County of San Diego regarding the Grantville Redevelopment Project area for $39,200. This was partially offset by a decrease of approximately $9,300 which was attributed to a prior year loss on the disposition of an RDA parcel of land in the Centre City Project area, related to the Renaissance Hotel project. The loss was mostly due to timing differences in revenue and expense recognition because advances from the developer were recognized in prior years as the funds were used to acquire the property.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net assets by $110,570 during fiscal year 2009. Variances from fiscal year 2008 of more than 10% are discussed below.

- Investment Income decreased by $10,220, or approximately 25%, primarily due to a bottoming out of declining interest rates around December 2008 and a decrease in interest income from the reinvestment of the Investment Pool's assets at these record low interest rates.

- Airports expense increased by $1,031, or approximately 25%, primarily due to higher personnel costs. This was the result of filling supervisory positions, as well as emergency repairs and maintenance performed on buildings and runways.

- City Store expense decreased by $467, or approximately 59%, primarily due to the City Store operations being shut down during fiscal year 2009.

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2009, the City's governmental funds reported combined ending fund balances of $1,740,792, an increase of $149,488 from fiscal year 2008. Approximately $999,926 constitutes unreserved fund balance, which is available for spending at the government's direction. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been 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. At the end of fiscal year 2009, undesignated fund balance of the General Fund was $78,347, while total fund balance was $114,392. This represents a $10,389 decrease from the fiscal year 2008 total fund balance.

PROPRIETARY FUNDS

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

As of the end of fiscal year 2009, Unrestricted Net Assets of the Sewer Utility Fund are $292,441. Unrestricted Net Assets increased approximately $48,724, or approximately 20%, mainly due to increased charges for services as a result of Council approved rate increases.

As of the end of fiscal year 2009, Unrestricted Net Assets of the Water Utility Fund are $232,899. Unrestricted Net Assets increased by $21,054, or approximately 10%, mainly due to increased sales of water as a result of Council approved rate increases.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for expenditures and transfers out was $24,744 higher than the final budget due to increases (decreases) in appropriations primarily attributed to the following:

- ($10,548) for General Governmental and Support. This variance was mostly attributed to the departments below:
    - ($11,016) for Citywide Programs. The majority of the budget adjustment ($7,614) is due to employee leveraged pick up savings being reimbursed to employees out of the UAAL fund instead of the General Fund. City Elections budget decreased by ($1,975) due to fewer propositions on the November ballot and no run-off elections. The remaining ($1,427) is made up of a decrease in the amount of Mission Bay revenue transferred to the Park Improvement Fund and other miscellaneous adjustments.
    - $ 8,377 due to an increase in the General Fund Appropriated Reserve.
    - ($1,200) for City Treasurer. This decrease was due to the first quarter budget adjustments approved by City Council, which reduced funding for supplies and services, as well as personnel costs.
    - ($3,853) for City Comptroller, Facilities Maintenance, Field Engineering, and Project Implementation and Technical Services. This decrease was mainly due to the first quarter budget adjustments approved by City Council, which reduced funding for supplies and services, as well as personnel costs.
    - ($ 2,837) for City Planning and Development, Community Services, Customer Services, Office of Ethics and Integrity, and Public Safety. This decrease was due to the first quarter budget adjustments approved by City Council, which eliminated these four departments.
- ($7,902) for Public Safety-Police. The majority of the budget reduction was in personnel, which was attributed to vacant positions, the decrease in recruits from the Police Academy, and overtime savings.
- $10,414 for Public Safety-Fire and Life Services and Homeland Security. The increase in budget was primarily due to over budget expenditures related to overtime Strike Team activities for wildfires and other Federal Emergency Management Agency requirements, unanticipated retirements, and an increase in reimbursable Emergency Medical Services.
- ($1,560) for Parks, Recreation, Culture and Leisure. This decrease was mainly due to the first quarter budget adjustments approved by City Council.
- ($4,561) for Transportation. This decrease was due to vacant reimbursable positions in the Streets Department and a budget reduction in supplies and services approved by City Council in December.
- ($10,273) for Sanitation and Health. The decrease was primarily due to the first quarter budget adjustments approved by City Council, which reduced funding for Storm Drain Repairs, Contracts, Pollution Prevention, and personnel costs.

- $818 for Principal Retirement. This increase was due to capital lease payments for Police and Parking Enforcement vehicles, as well as equipment, vehicles and helicopters for the Public Safety-Fire and Life Safety and Homeland Security department.

- $194 for Interest Expense. This increase was due to capital lease payments for Police and Parking Enforcement vehicles, as well as equipment, vehicles and helicopters for the Public Safety-Fire and Life Safety and Homeland Security.

Actual revenues received for the General Fund were $64,787 less than budgeted. Sales Tax and Transient Occupancy Tax were under budget by $10,700 and $8,424, respectively, due to the downturn in the economy. Other Local Taxes were under budget by $4,545 mainly due to Property Transfer Tax which came in lower than anticipated. This was the result of reduced home sales and shortfalls in SDG&E and Refuse Collection Franchise Fees. Revenue from Use of Money and Property came in $10,099 under budget, due to declining market values for the City's investment pool. Revenue from Federal Agencies came in $11,433 under budget. $2,347 was budgeted to come in during fiscal year 2009 but was actually accrued as fiscal year 2008 revenue. Charges for Current Services came in $2,101 over budget due to the Engineering Department's work on Water and Sewer capital improvement projects. Other revenue was $21,562 less than budgeted, which was due to Engineering's charges to Water and Sewer capital projects being received in the Charges for Services category, rather than in Other Revenue, where it was originally budgeted.

Actual expenditures for the General Fund were $45,464 less than budgeted. $20,136 was attributed primarily to an increase in the budget of the General Fund Appropriated Reserve without corresponding expenditures, and lower than anticipated allocations from the General Fund Fringe Benefits Reserve. The Fringe Benefits Reserve is used to compensate departments for fringe expenditures in excess of the Revised Budget. In addition, several categories had appropriation savings: Public Safety-Police had personnel and supplies and services savings of $6,827; Sanitation and Health had savings of $9,168 mainly due to vacant positions and delays in contractual expenditures for the Storm Water department; Parks, Recreation, Culture, and Leisure had savings of $3,331 largely due to conservative spending in non-personnel costs. The remaining $6,002 was primarily due to personnel savings in Neighborhood Services and non-personnel savings in Transportation.

CAPITAL ASSET AND DEBT ADMINISTRATION

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land, Easements, Rights of Way	$ 1,768,968	$ 1,755,956	$ 93,240	$ 89,988	$ 1,862,208	$ 1,845,944
Construction-in-Progress	192,741	165,880	291,283	174,065	484,024	339,945
Structures and Improvements	826,488	827,912	1,253,903	1,422,839	2,080,391	2,250,751
Equipment	169,387	133,317	156,891	102,069	326,278	235,386
Distribution and Collection Systems	-	-	2,971,404	2,845,957	2,971,404	2,845,957
Infrastructure	1,497,941	1,452,252	-	-	1,497,941	1,452,252
Totals	$ 4,455,525	$ 4,335,317	$ 4,766,721	$ 4,634,918	$ 9,222,246	$ 8,970,235

CAPITAL ASSETS

In accordance with GASB Statement No. 34, all major infrastructure assets (such as streets, signals, bridges, and drains) are capitalized by the City in the government-wide statements. While capital assets of both governmental and proprietary funds are capitalized at the government-wide level, only proprietary assets are reported at the fund level. Governmental funds are reported on a modified accrual basis at the fund level. Differences between reporting at the fund level and government-wide level for these governmental assets will be explained in both the reconciliation and the accompanying notes to the financial statements.

The City's investment in capital assets (including infrastructure) for governmental and business-type activities as of June 30, 2009 was $9,222,246 (net of accumulated depreciation). There was an overall increase in the City's investment in capital assets over fiscal year 2008 of approximately $252,011. Readers interested in more detailed information on capital asset activity should refer to Note 4 Capital Assets.

HIGHLIGHTS OF FISCAL YEAR 2009 CAPITAL IMPROVEMENT ACTIVITIES

Governmental Activities

- Phase 1 of the Enterprise Resource Planning (ERP) System Core Project to provide a replacement of the legacy software currently used by the Offices of the Chief Financial Officer (CFO) and Business and Support Services was completed and implemented city-wide on July 1, 2009. As identified in the Kroll report, the legacy system was no longer meeting the City's requirement for responsible financial management, efficient human resources management, or IT operational efficiency. The project is being funded primarily through a lease purchase agreement with IBM Credit LLC and cash from SDDPC. The City's fiscal year 2009 capital expenditures for this project were $19,501.

- Construction continued on the reconstruction of Soledad Mountain Road following the October 2007 landslide that destroyed a large section of the 5700 block of Soledad Mountain Road and Desert View Drive Alley. The project is funded by TransNet, as well as state and federal grants. The City's fiscal year 2009 capital expenditures for this project were $12,594.

- Construction continues on the North Harbor Drive Bridge over the Navy Estuary. This project will provide for the seismic retrofitting of the bridge as well as stabilization of the existing piers, and joining the paired piers together at the waterline to increase support during seismic events. The City's fiscal year 2009 capital expenditures for this project were $9,953.

- Construction was completed on the Bird Rock Coastal Traffic Flow Improvements. This project provides traffic calming measures to reduce speed and improve safety and walkability on La Jolla Boulevard. The project provides three modern roundabouts on La Jolla Boulevard, as well as three mini roundabouts on connecting residential streets. La Jolla Boulevard will also be reduced from four to two lanes. The project was funded by SANDAG, TransNet, Developer Impact Fees, and federal and state grants. The City added $6,207 in capital infrastructure assets related to this project in fiscal year 2009.

- Construction was completed on the widening of Genesee Avenue from Interstate 5 to Campus Point Drive. This project provided for the widening of 2,500 feet of Genesee Avenue to a modified six-lane primary arterial including Class II bicycle lanes. The project was funded by Facility Benefit Assessments. The City added $6,500 in capital infrastructure assets related to this project in fiscal year 2009.

- Construction continued on Phase II of the Logan Heights Branch Library. This project provides for a new 25,000 square foot library at 28th Street and Ocean Boulevard to serve the Logan Heights Community. The project is funded by various grants and the Library System Improvement Fund. The City's fiscal year 2009 capital expenditures for this project were $5,540.

- Construction was completed on the Carmel Valley Community Park South. This project provided for the development of a 15 useable acre community park in the Torrey Hills and Carmel Valley Neighborhoods south of State Route 56, located in Carmel Valley Neighborhood 8A. The City added $8,816 in capital infrastructure assets related to this project in fiscal year 2009.

- Construction began on the First Avenue Bridge Rehabilitation and Retrofit project. This project will provide for seismic retrofits to the abutments, expansion joints and bracing of the First Ave Bridge; as well as extensive hardware restoration and replacement. The project is part of the Uptown Community Plan. The City's fiscal year 2009 capital expenditures for this project were $3,714.

- Construction continued on the Bayshore Bikeway. The project provides for construction of a Class I bikeway from the northern end of 13th Street to Main Street at the I-5 interchange at the Southeast corner of San Diego Bay and will complete the missing segment of the planned bike path around San Diego Bay from Point Loma to Coronado. The project is funded by TransNet Major Corridor funds. The City's fiscal year 2009 capital expenditures for this project were $3,217.

Business-Type Activities

During fiscal year 2009, the Water Utility Fund added approximately $147,500 in capital improvement projects (CIP). Upgrades and expansion of the Miramar Water Treatment Plant, Otay Water Treatment Plant and the Alvarado Water Treatment Plant continued, along with water main replacements. Capital asset write-offs for fiscal year 2008 were approximately $8,100, and were primarily related to losses on abandoned projects and retirements of developer contributed assets.

During fiscal year 2009, the Sewer Utility Fund added approximately $49,500 in CIP, of which the Metropolitan system CIP increased approximately $4,900. Municipal system CIP increased approximately $44,600 and included the following major projects: Caltrans/SR–905 Otay Mesa Trunk Sewer, Pipeline Rehabilitation Phase C-1, and the continued replacement of sewer mains and upgrades to the sewer infrastructure. Capital asset write-offs for fiscal year 2008 were approximately $3,500, and were primarily related to losses on abandoned projects and retirements of developer contributed assets.

HIGHLIGHTS OF APPROVED FISCAL YEAR 2010 CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET

The Annual Approved Capital Improvements Budget for Fiscal Year 2010 is $478,400 which is a decrease of $108,600, or approximately 18.5% from the fiscal year 2009 budget of $587,000. The decrease in the Fiscal Year 2010 budget is primarily due to one-time financing and Proposition 1B funds which were included in the Fiscal Year 2009 Annual Capital Improvement budget for deferred maintenance needs. Water and Sewer projects comprise over 59.3% of the total CIP budget. Engineering & Capital Projects and General Services projects comprise 25.4%, and 2.5% of the total CIP budget, respectively. Funding for governmental projects include: TransNet funds; Facilities Benefit Assessments; Developer Impact Fees; developer contributions; federal, state, local, and private contributions; land sale proceeds; and deferred maintenance bonds. Highlights of the key budgets by department are as follows:

Governmental Activities

- Engineering and Capital Projects: $121,500 (25.4% of total CIP budget). Key projects include the undergrounding of City utilities to augment the California Public Utilities Commission (CPUC) Rule 20A funds, and conversion of City-owned street lighting and resurfacing of roadways associated with the undergrounding of utilities. The $48,900 annual allocation for these projects is entirely funded by the Underground Surcharge Fund. Other significant projects include: $11,100 for ADA improvements, $10,200 for Carroll Canyon Road, $3,500 for North Torrey Pines Road, and $3,000 for 43rd Street and Logan/National Ave Intersection.

- General Services: $12,200 (2.5% of total CIP budget). Key budgets include: $11,800 for deferred maintenance projects.

- Parks and Recreation: $29,400 (6.1% of total CIP budget). Planned project types for fiscal year 2010 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.

- OneSD Support: $9,900 (2.1% of total CIP budget). This budget is for completion of the Enterprise Resource Planning (ERP) System.

- City Planning and Community Investments: $5,500 (1.1% of total CIP budget). This budget is for downtown parking improvement projects.

Business-Type Activities

The fiscal year 2010 Water Utility CIP budget is $149,800. There are no phase funded projects budgeted for fiscal year 2010. Significant projects include: $43,000 for water main replacements; $37,900 for the Alvarado Water Treatment Plant–Upgrade and Expansion; $15,700 for the Miramar Water Treatment Plant–Upgrade and Expansion; $9,400 for the North City Reclamation System.
The fiscal year 2010 Sewer Utility CIP budget is $134,100. There are no phase funded projects budgeted for fiscal year 2010. Significant projects include: $74,300 for pipeline repair, replacement, and rehabilitation; $39,200 for replacement of trunk sewers; $8,900 for repair and upgrade of pump stations; and $7,600 for the repair and upgrade of treatment plants.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Capital Lease Obligations	$ 89,519	$ 61,262	$ -	$ 166	$ 89,519	$ 61,428
Contracts Payable	4,715	2,615	-	-	4,715	2,615
Notes Payable	4,786	5,662	-	430,830	4,786	436,492
Loans Payable	44,815	34,777	90,326	95,875	135,141	130,652
Section 108 Loans	33,532	35,896	-	-	33,532	35,896
General Obligation Bonds	6,315	8,580	-	-	6,315	8,580
Revenue Bonds/COP's/ Lease Revenue Bonds	579,500	498,950	2,166,906	1,425,445	2,746,406	1,924,395
Special Assessment/ Special Tax Bonds	152,270	144,805	-	-	152,270	144,805
Tax Allocation Bonds	534,547	548,643	-	-	534,547	548,643
Tobacco Settlement Asset-Backed Bonds	95,380	99,370	-	-	95,380	99,370
Pooled Financing Bonds	33,460	34,115	-	-	33,460	34,115
Totals	$ 1,578,839	$ 1,474,675	$ 2,257,232	$ 1,952,316	$ 3,836,071	$ 3,426,991

LONG-TERM DEBT

At the end of fiscal year 2009, the City, including blended component units, had total debt outstanding of approximately $3,836,071. Of this amount, $6,315 is comprised of debt backed by the full faith and credit of the City. The remainder of the City's debt represents revenue bonds, lease revenue bonds, certificates of participation (COPs), special assessment bonds, tax allocation bonds, tobacco settlement asset-backed bonds, pooled financing bonds, contracts payable, notes payable, loans payable, Section 108 loans, SRF loans, and capital lease obligations.

Governmental Activities

- The City issued $12,365 of Community Facilities District No. 4 (Black Mountain Ranch Villages) Special Tax Bonds, Series 2008 A, to finance public improvements required in connection with the district, to fund the Reserve Fund, and to pay costs of issuance related to the 2008A Bonds. The 2008A bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are limited obligations of the district.

- The City (PFFA) sold $103,000 of Lease Revenue Bonds, Series 2009A, on a private placement basis, for the purpose of financing various capital improvement projects. The 2009A bonds are secured from base rental payments and bear interest at a rate of 3.89% through June 1, 2010. Thereafter the rate will be fixed to equal the purchaser's internal cost of funds rate plus a fixed spread of 3.00%, but not to exceed 12% until the final maturity date of December 1, 2018.

- Total principal payments for long-term debt were $64,542. $48,356 of this amount was for outstanding bonds, $2,809 was for loans payable, $876 was for notes payable, and $12,501 was for capital leases. Readers interested in more detailed information regarding Governmental Activities Long Term Liabilities should refer to Note 5.

Business-Type Activities

- The City (PFFA) issued $157,190 of Water Revenue Bonds, Refunding Series 2009A for the following purposes: to prepay $57,000 of outstanding principal on the Subordinated Water Revenue Notes, Series 2007A; to partially refund $94,165 of Certificates of Undivided Interest, Series 1998; to fund the reserve; and to pay costs of issuance related to the Series 2009A Bonds. The publicly offered Water 2009A Revenue Refunding Bonds are secured by and payable solely from net system revenues of the Water Utility Fund.

- The City (PFFA) issued $453,775 of Senior Sewer Revenue Bonds, Series 2009A for the following purposes: to finance capital improvements to the Wastewater System; to pay in full $223,830 of Subordinate Sewer Revenue Notes, Series 2007; to partially refund $36,635 of Sewer Revenue Bonds, Series 1997A and $13,410 of Sewer Revenue Bonds, Series 1997B; to fund the reserve; and to pay costs of issuance related to the Series 2009A Bonds. The publicly offered Sewer 2009A Revenue Bonds are secured by and payable solely from wastewater system net revenues.

- The City (PFFA) issued $634,940 of Senior Sewer Revenue Refunding Bonds, Series 2009B for the following purposes: to fully refund $160,220 of outstanding Sewer Revenue Bonds, Series 1993; to partially refund $211,455 of Sewer Revenue Bonds, Series 1995; to partially refund $80,255 of Sewer Revenue Bonds, Series 1997A and $29,385 of Sewer Revenue Bonds, Series 1997B; to partially refund $97,845 of Sewer Revenue Bonds, Series 1999A and $54,015 of Sewer Revenue Bonds, Series 1999B; to fund the reserve; and to pay costs of issuance related to the Series 2009A Bonds. The publicly offered Sewer 2009B Revenue Refunding Bonds are secured by and payable solely from wastewater system net revenues.

- The City (PFFA) issued $328,060 of Water Revenue Bonds, Series 2009B for the following purposes: to finance capital improvements to the Water System; to prepay $150,000 of outstanding principal on the Subordinated Water Revenue Notes, Series 2008A; to fund the reserve; and to pay costs of issuance related to the series 2009B Bonds. The publicly offered Water 2009B Revenue Bonds are secured by and payable solely from net system revenues of the Water Utility Fund.

- Total principal payments for long-term debt were $1,269,049, of which $832,504 was for outstanding bonds, including $786,910 of bonds refunded or redeemed in advance of scheduled maturity date, and $45,594 of scheduled bond principal payments. $430,830 was for outstanding notes prepaid, $5,549 was for loans payable, and $166 was for capital leases. Readers interested in more detailed information regarding Business-Type Activities Long Term Liabilities should refer to Note 6.

As of the issuance of this report, the credit ratings on the City of San Diego's outstanding General Obligation Bonds, Revenue Bonds, Lease Revenue Bonds, and COPs are as follows:

	Moody's Investors Service	Fitch Ratings	Standard & Poor's
General Obligation Bonds	A2	A+	A
General Fund Backed Lease Revenue Bonds	Baa1/Baa2	A	A-
Outlook	Stable	Stable	Positive
Wastewater System Bonds	A2	AA-	A+
Outlook	Stable	Stable	Stable
Water System Bonds	A1/A2	AA-/A+	AA-/A+
Outlook	Stable	Stable	Stable

Section 90 of the City Charter provides that the general obligation bonded indebtedness for the development, conservation and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation. The City's current outstanding general obligation balances as of June 30, 2009 are significantly less than the current debt limitations for water and other purposes, which are $5,962,975 and $3,975,316, 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, but an obligation payable from the revenues received by the utility. Section 90.2 authorizes the issuance of Revenue Bonds for the purpose of constructing improvements to the City's sewer system.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Comptroller, 202 C Street, San Diego, California 92101, or e-mailed to comptroller@sandiego.gov. This financial report is also available on the City's website at www.sandiego.gov, under the Office of the City Comptroller. Additional information intended for the investor community is available on the Investor Information web page also located on the City's website listed above.

BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET ASSETS
June 30, 2009
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
ASSETS					
Cash and Investments	$ 1,320,591	$ 675,673	$ 1,996,264	$ 21,756	$ 94,458
Receivables:					
Taxes - Net	86,059	-	86,059	-	-
Accounts - Net of Allowance for Uncollectibles					
(Governmental $34,534, Business-Type $3,019)	39,226	79,546	118,772	2,537	6,991
Claims - Net	155	2	157	-	-
Contributions	360	-	360	-	-
Special Assessments - Net	2,993	-	2,993	-	-
Notes	122,948	-	122,948	-	169,532
Accrued Interest	4,421	2,535	6,956	-	18,288
Grants	35,702	3,606	39,308	-	-
Investment in Joint Venture	1,824	-	1,824	-	-
Advances to Other Agencies	5,777	-	5,777	-	-
Internal Balances	(7,929)	7,929	-	-	-
Inventories of Water in Storage	-	36,947	36,947	-	-
Inventories	2,033	622	2,655	15	54
Land Held for Resale	39,413	-	39,413	-	-
Prepaid Expenses	5,313	461	5,774	1,057	1,623
Restricted Cash and Investments	431,547	535,647	967,194	-	699
Deferred Charges	19,752	14,102	33,854	-	-
Capital Assets - Non-Depreciable	1,961,709	384,523	2,346,232	-	36,545
Capital Assets - Depreciable	2,493,816	4,382,198	6,876,014	16,404	60,683
TOTAL ASSETS	6,565,710	6,123,791	12,689,501	41,769	388,873

STATEMENT OF NET ASSETS
June 30, 2009
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
LIABILITIES					
Accounts Payable	$ 46,526	$ 45,932	$ 92,458	$ 5,679	$ 2,905
Accrued Wages and Benefits	31,314	12,003	43,317	-	415
Other Accrued Liabilities	210	-	210	1,796	2,638
Interest Accrued on Long-Term Debt	24,488	17,761	42,249	-	124
Long-Term Liabilities Due Within One Year	158,140	76,352	234,492	3,077	1,753
Due to Other Agencies	188	11,308	11,496	-	-
Unearned Revenue	34,794	7,494	42,288	9,986	2,342
Contract Deposits	-	8,596	8,596	-	-
Sundry Trust Liabilities	5,711	-	5,711	-	-
Customer Deposits Payable	-	4,566	4,566	-	-
Deposits/Advances from Others	-	2,819	2,819	-	965
Long-Term Liabilities Due After One Year:					
Arbitrage Liability	533	-	533	-	-
Compensated Absences	39,534	6,356	45,890	-	-
Liability Claims	230,316	29,352	259,668	-	-
Capital Lease Obligations	73,556	-	73,556	531	-
Contracts Payable	4,715	-	4,715	-	-
Notes Payable	4,786	-	4,786	500	26,671
Loans Payable	36,107	84,673	120,780	-	-
Section 108 Loans Payable	31,075	-	31,075	-	-
Net Bonds Payable	1,364,345	2,147,103	3,511,448	-	-
Estimated Landfill Closure and Postclosure Care	-	19,336	19,336	-	-
Pollution Remediation Obligation	-	620	620	-	-
Net Other Post Employment Benefit Obligation	73,504	19,767	93,271	-	-
Net Pension Obligation	147,665	29,474	177,139	-	-
TOTAL LIABILITIES	2,307,507	2,523,512	4,831,019	21,569	37,813
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	3,530,937	2,970,351	6,501,288	13,510	69,458
Restricted for:					
Capital Projects	293,284	-	293,284	-	-
Debt Service	-	4,372	4,372	-	-
Low-Moderate Income Housing	135,581	-	135,581	-	-
Nonexpendable Permanent Endowments	13,280	-	13,280	-	-
Other	122,460	38,113	160,573	1,452	128,863
Unrestricted	162,661	587,443	750,104	5,238	152,739
TOTAL NET ASSETS	$ 4,258,203	$ 3,600,279	$ 7,858,482	$ 20,200	$ 351,060

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

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009
(In Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental Activities:				
General Government and Support	$ 303,581	$ 152,630	$ 13,449	$ 323
Public Safety - Police	418,549	42,178	14,054	-
Public Safety - Fire and Life Safety and Homeland Security	220,787	20,449	16,144	1
Parks, Recreation, Culture and Leisure	258,038	80,795	2,282	19,376
Transportation	239,305	18,360	10,572	77,277
Sanitation and Health	77,447	9,306	2,097	-
Neighborhood Services	116,735	21,814	34,646	13,825
Debt Service:				
Interest	84,070	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	1,718,512	345,532	93,244	110,802
Business-Type Activities:				
Airports	5,140	4,929	-	1,806
City Store	321	242	-	-
Development Services	47,260	37,310	-	-
Environmental Services	35,718	31,726	83	-
Golf Course	11,864	16,201	-	-
Recycling	20,067	16,027	227	-
Sewer Utility	314,125	322,571	167	28,780
Water Utility	329,748	342,719	1,262	30,277
TOTAL BUSINESS-TYPE ACTIVITIES	764,243	771,725	1,739	60,863
TOTAL PRIMARY GOVERNMENT	$ 2,482,755	$ 1,117,257	$ 94,983	$ 171,665
Component Units:				
San Diego Convention Center Corporation	$ 38,365	$ 30,774	$ 4,129	$ 143
San Diego Housing Commission	179,548	26,095	169,456	-
TOTAL COMPONENT UNITS	$ 217,913	$ 56,869	$ 173,585	$ 143

General Revenues:

Property Taxes

Transient Occupancy Taxes

Other Local Taxes

Developer Contributions and Fees

Grants and Contributions not Restricted to Specific Programs

Sales Taxes

Investment Income

Gain on Sale of Capital Assets

Miscellaneous

Transfers

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET ASSETS

Net Assets at Beginning of Year

NET ASSETS AT END OF YEAR

Net Revenue/(Expense) and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
$ (137,179)	$ -	$ (137,179)	$ -	$ -
(362,317)	-	(362,317)	-	-
(184,194)	-	(184,194)	-	-
(155,585)	-	(155,585)	-	-
(133,096)	-	(133,096)	-	-
(66,043)	-	(66,043)	-	-
(46,450)	-	(46,450)	-	-
(84,070)	-	(84,070)	-	-
(1,168,934)	-	(1,168,934)	-	-
-	1,595	1,595	-	-
-	(79)	(79)	-	-
-	(9,950)	(9,950)	-	-
-	(3,909)	(3,909)	-	-
-	4,337	4,337	-	-
-	(3,813)	(3,813)	-	-
-	37,393	37,393	-	-
-	44,510	44,510	-	-
-	70,084	70,084	-	-
(1,168,934)	70,084	(1,098,850)	-	-
-	-	-	(3,319)	-
-	-	-	-	16,003
-	-	-	(3,319)	16,003
607,857	-	607,857	-	-
140,657	-	140,657	-	-
161,485	-	161,485	-	-
16,148	-	16,148	-	-
8,488	-	8,488	-	-
229,651	-	229,651	-	-
75,245	31,004	106,249	289	5,543
1,922	-	1,922	-	-
33,528	8,257	41,785	579	-
(1,225)	1,225	-	-	-
1,273,756	40,486	1,314,242	868	5,543
104,822	110,570	215,392	(2,451)	21,546
4,153,381	3,489,709	7,643,090	22,651	329,514
$ 4,258,203	$ 3,600,279	$ 7,858,482	$ 20,200	$ 351,060

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

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	$ 86,667	$ 1,085,808	$ 1,172,475
Receivables:			
Taxes - Net	69,438	16,621	86,059
Accounts - Net of Allowance for Uncollectibles (General Fund $7,032, Other Governmental $26,606)	13,891	24,159	38,050
Claims - Net	130	16	146
Special Assessments	-	2,993	2,993
Notes	-	122,948	122,948
Accrued Interest	906	3,497	4,403
Grants	-	35,702	35,702
From Other Funds	1,500	26	1,526
Interfund Loan Receivable	-	33,460	33,460
Advances to Other Funds	-	7,959	7,959
Advances to Other Agencies	-	5,777	5,777
Land Held for Resale	-	39,413	39,413
Prepaid Items	886	1,351	2,237
Investment in Joint Venture	1,824	-	1,824
Restricted Cash and Investments	-	431,547	431,547
TOTAL ASSETS	$ 175,242	$ 1,811,277	$ 1,986,519
LIABILITIES			
Accounts Payable	$ 3,789	$ 34,295	$ 38,084
Accrued Wages and Benefits	27,642	736	28,378
Other Accrued Liabilities	-	210	210
Due to Other Funds	2,095	5,993	8,088
Due to Other Agencies	-	188	188
Unearned Revenue	663	34,054	34,717
Deferred Revenue	26,661	58,784	85,445
Sundry Trust Liabilities	-	5,711	5,711
Advances from Other Funds	-	7,959	7,959
Interfund Loan Payable	-	36,947	36,947
TOTAL LIABILITIES	60,850	184,877	245,727

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
FUND EQUITY:			
Fund Balances:			
Reserved for Land Held for Resale	-	39,413	39,413
Reserved for Notes Receivable	-	118,907	118,907
Reserved for Encumbrances	32,071	250,665	282,736
Reserved for Advances	-	13,736	13,736
Reserved for Low and Moderate Income Housing	-	95,668	95,668
Reserved for Permanent Endowments	-	13,280	13,280
Reserved for Debt Service	-	175,302	175,302
Reserved for Minority Interest in Joint Venture	1,824	-	1,824
Unreserved, Reported in General Fund:			
Designated for Unrealized Gains	1,943	-	1,943
Designated for Subsequent Years' Expenditures	207	-	207
Undesignated	78,347	-	78,347
Unreserved, Reported in:			
Special Revenue Funds	-	221,089	221,089
Debt Service Funds	-	265,236	265,236
Capital Projects Funds	-	430,479	430,479
Permanent Funds	-	2,625	2,625
TOTAL FUND EQUITY	114,392	1,626,400	1,740,792
TOTAL LIABILITIES AND FUND EQUITY	$ 175,242	$ 1,811,277	

Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	4,329,571
Other assets and liabilities used in governmental activities are not financial resources, and therefore, are either deferred or not reported in the funds.	105,197
Internal Service funds are used by management to charge the costs of activities such as Fleet Services, Print Shop, Self Insurance, and Central Stores to individual funds. The assets and liabilities of certain Internal Service Funds are included in governmental activities in the Statement of Net Assets.	6,826
Certain liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(1,924,183)
Net Assets of governmental activities	$ 4,258,203

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, 2009
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	$ 398,743	$ 204,831	$ 603,574
Special Assessments	-	63,500	63,500
Sales Taxes	212,918	20,222	233,140
Transient Occupancy Taxes	73,765	66,892	140,657
Other Local Taxes	72,432	98,760	171,192
Licenses and Permits	31,249	8,100	39,349
Fines, Forfeitures and Penalties	32,467	1,939	34,406
Revenue from Use of Money and Property	41,461	66,323	107,784
Revenue from Federal Agencies	4,268	66,118	70,386
Revenue from Other Agencies	8,915	43,541	52,456
Revenue from Private Sources	-	21,593	21,593
Charges for Current Services	133,117	70,315	203,432
Other Revenue	5,296	20,415	25,711
TOTAL REVENUES	1,014,631	752,549	1,767,180
EXPENDITURES			
Current:			
General Government and Support	243,057	101,873	344,930
Public Safety - Police	389,390	17,267	406,657
Public Safety - Fire and Life Safety and Homeland Security	195,596	30,100	225,696
Parks, Recreation, Culture and Leisure	116,391	95,368	211,759
Transportation	72,635	90,334	162,969
Sanitation and Health	67,867	10,393	78,260
Neighborhood Services	17,255	56,530	73,785
Capital Projects	-	138,634	138,634
Debt Service:			
Principal Retirement	818	56,391	57,209
Interest	3,106	75,553	78,659
Cost of Issuance	-	1,001	1,001
TOTAL EXPENDITURES	1,106,115	673,444	1,779,559
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(91,484)	79,105	(12,379)
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	6,267	1,979	8,246
Transfers from Other Funds	105,059	216,685	321,744
Transfers to Proprietary Funds	(4,043)	(2,547)	(6,590)
Transfers to Other Funds	(26,031)	(295,713)	(321,744)
Net Loss from Joint Venture	(157)	-	(157)
Proceeds from the Sale of Capital Assets	-	2,157	2,157
Capital Leases	-	30,392	30,392
Contracts Issued	-	2,100	2,100
Loans Issued	-	10,483	10,483
Special Tax Bonds Issued	-	12,365	12,365
Revenue Bonds Issued	-	103,000	103,000
Discount on Bonds Issued	-	(129)	(129)
TOTAL OTHER FINANCING SOURCES (USES)	81,095	80,772	161,867
NET CHANGE IN FUND BALANCES	(10,389)	159,877	149,488
Fund Balances at Beginning of Year	124,781	1,466,523	1,591,304
FUND BALANCES AT END OF YEAR	$ 114,392	$ 1,626,400	$ 1,740,792

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

City of San Diego
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2009
(In Thousands)

Net change in fund balances - total governmental funds (page 58)	$ 149,488
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.	121,730
The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to decrease net assets.	(17,686)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	10,410
The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(100,854)
Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absenses, net pension obligation), and therefore are not accrued as expenses in governmental funds.	(92,248)
Internal Service funds are used by management to charge the costs of activities such as Fleet Services, Publishing Services, Central Stores, Self Insurance, and others to individual funds. The net revenue of certain internal service activities is reported with governmental activities.	33,982
Change in net assets of governmental activities (page 55)	$ 104,822

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

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2009
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current Assets:					
Cash and Investments	$ 345,933	$ 225,556	$ 104,184	$ 675,673	$ 148,116
Receivables:					
Accounts - Net of Allowance for Uncollectibles (Sewer $930, Water $1,749, Other Enterprise $340, Internal Service $896)	35,172	43,573	801	79,546	1,176
Claims - Net	-	-	2	2	9
Contributions	-	-	-	-	360
Accrued Interest	1,420	604	511	2,535	18
Grants	-	1,822	1,784	3,606	-
From Other Funds	-	-	3,609	3,609	5,980
Inventories of Water in Storage	-	36,947	-	36,947	-
Inventories	-	620	2	622	2,033
Prepaid Expenses	3	456	2	461	3,076
Total Current Assets	382,528	309,578	110,895	803,001	160,768
Non-Current Assets:					
Restricted Cash and Investments	231,212	263,883	40,552	535,647	-
Deferred Charges	7,114	6,988	-	14,102	-
Interfund Loan Receivable	3,487	-	-	3,487	-
Capital Assets - Non-Depreciable	118,881	240,760	24,882	384,523	1,984
Capital Assets - Depreciable	2,710,102	1,611,573	60,523	4,382,198	123,970
Total Non-Current Assets	3,070,796	2,123,204	125,957	5,319,957	125,954
TOTAL ASSETS	3,453,324	2,432,782	236,852	6,122,958	286,722
LIABILITIES					
Current Liabilities:					
Accounts Payable	11,995	32,367	1,570	45,932	8,442
Accrued Wages and Benefits	7,682	2,145	2,176	12,003	2,936
Interest Accrued on Long-Term Debt	6,162	11,598	1	17,761	269
Long-Term Debt Due Within One Year	54,663	19,705	1,984	76,352	55,267
Due to Other Funds	510	558	147	1,215	1,812
Due to Other Agencies	10,262	1,046	-	11,308	-
Unearned Revenue	-	817	6,677	7,494	77
Contract Deposits	3,503	4,756	337	8,596	-
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	-	4,566	-	4,566	-
Total Current Liabilities	94,777	77,558	12,892	185,227	68,803
Non-Current Liabilities:					
Deposits/Advances from Others	250	-	2,569	2,819	-
Compensated Absences	2,323	2,036	1,997	6,356	3,795
Liability Claims	27,776	1,576	-	29,352	178,126
Capital Lease Obligations	-	-	-	-	21,221
Loans Payable	67,100	17,573	-	84,673	-
Net Revenue Bonds Payable	1,251,957	895,146	-	2,147,103	-
Estimated Landfill Closure and Postclosure Care	-	-	19,336	19,336	-
Pollution Remediation Obligation	-	620	-	620	-
Net Other Post Employment Benefit Obligation	6,916	6,578	6,273	19,767	2,978
Net Pension Obligation	10,785	8,477	10,212	29,474	2,925
Total Non-Current Liabilities	1,367,107	932,006	40,387	2,339,500	209,045
TOTAL LIABILITIES	1,461,884	1,009,564	53,279	2,524,727	277,848
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,698,249	1,186,697	85,405	2,970,351	97,195
Restricted for Debt Service	750	3,622	-	4,372	-
Restricted for Closure/Postclosure Maintenance	-	-	38,113	38,113	-
Unrestricted	292,441	232,899	60,055	585,395	(88,321)
TOTAL NET ASSETS	$ 1,991,440	$ 1,423,218	$ 183,573	3,598,231	$ 8,874
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				2,048	
Net assets of Business-Type activities				$ 3,600,279	

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

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES					
Sales of Water	$ -	$ 324,772	$ -	$ 324,772	$ -
Charges for Services	318,474	-	58,789	377,263	160,937
Revenue from Use of Property	-	5,418	-	5,418	-
Usage Fees	-	1,272	45,672	46,944	81,001
Other	4,097	11,257	1,974	17,328	883
TOTAL OPERATING REVENUES	322,571	342,719	106,435	771,725	242,821
OPERATING EXPENSES					
Benefit and Claim Payments	-	-	-	-	58,416
Maintenance and Operations	119,470	95,979	81,621	297,070	46,347
Cost of Materials Issued	-	-	-	-	29,149
Cost of Purchased Water Used	-	133,499	-	133,499	-
Taxes	-	162	-	162	-
Administration	71,300	33,258	34,138	138,696	55,715
Depreciation	76,554	39,627	5,797	121,978	26,513
TOTAL OPERATING EXPENSES	267,324	302,525	121,556	691,405	216,140
OPERATING INCOME (LOSS)	55,247	40,194	(15,121)	80,320	26,681
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	13,454	12,478	5,075	31,007	5,182
Federal Grant Assistance	-	192	27	219	-
Other Agency Grant Assistance	167	1,070	283	1,520	123
Loss on Sale/Retirement of Capital Assets	(3,525)	(2,436)	(814)	(6,775)	(236)
Debt Service Interest Expense	(46,151)	(28,081)	(3)	(74,235)	(971)
Other	5,244	751	2,262	8,257	10,461
TOTAL NONOPERATING REVENUES (EXPENSES)	(30,811)	(16,026)	6,830	(40,007)	14,559
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	24,436	24,168	(8,291)	40,313	41,240
Capital Contributions	28,780	30,277	1,806	60,863	198
Transfers from Other Funds	616	439	276	1,331	163
Transfers from Governmental Funds	1,238	3,443	2,617	7,298	5,723
Transfers to Other Funds	(59)	(99)	(63)	(221)	(1,273)
Transfers to Governmental Funds	(3,550)	(530)	(2,464)	(6,544)	(4,539)
CHANGE IN NET ASSETS	51,461	57,698	(6,119)	103,040	41,512
Net Assets at Beginning of Year	1,939,979	1,365,520	189,692		(32,638)
NET ASSETS AT END OF YEAR	$ 1,991,440	$ 1,423,218	$ 183,573		$ 8,874
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				7,530	
Change in net assets of Business-Type activities				$ 110,570	

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

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	$ 327,771	$ 277,717	$ 90,607	$ 696,095	$ 3,182
Receipts from Interfund Services Provided	2,688	65,945	18,305	86,938	250,022
Payments to Suppliers	(120,624)	(262,356)	(41,838)	(424,818)	(104,650)
Payments to Employees	(41,702)	(567)	(61,907)	(104,176)	(90,710)
Payments for Interfund Services Used	(34,733)	(13,779)	(7,609)	(56,121)	(2,739)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	133,400	66,960	(2,442)	197,918	55,105
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	616	406	276	1,298	162
Transfers from Governmental Funds	1,238	186	2,617	4,041	2,550
Transfers to Other Funds	(26)	(99)	(62)	(187)	(1,273)
Transfers to Governmental Funds	(998)	(477)	(2,464)	(3,939)	(4,307)
Operating Grants Received	167	1,012	238	1,417	123
Proceeds from Advances and Deposits	-	235	2,569	2,804	-
Payments for Advances and Deposits	-	-	(25)	(25)	-
NET CASH PROVIDED (USED FOR) NONCAPITAL FINANCING ACTIVITIES	997	1,263	3,149	5,409	(2,745)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Contracts, Notes and Loans	-	-	-	-	10,362
Proceeds from Revenue Bonds	217,469	179,729	-	397,198	-
Proceeds from Capital Contributions	10,361	7,631	973	18,965	-
Acquisition of Capital Assets	(55,809)	(150,587)	(6,580)	(212,976)	(49,169)
Proceeds from the Sale of Capital Assets	-	5,707	-	5,707	3,358
Principal Payments on Capital Leases	-	-	(166)	(166)	(7,055)
Principal Payments on Contracts, Notes and Loans	(4,654)	(895)	-	(5,549)	-
Principal Payments on Revenue Bonds	(31,700)	(13,894)	-	(45,594)	-
Interest Paid on Long-Term Debt	(44,670)	(29,625)	(11)	(74,306)	(1,046)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	90,997	(1,934)	(5,784)	83,279	(43,550)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of Investments	988,652	1,671,625	-	2,660,277	-
Purchases of Investments	(1,173,015)	(1,759,692)	-	(2,932,707)	-
Interest Received on Investments	13,671	13,914	5,632	33,217	5,202
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(170,692)	(74,153)	5,632	(239,213)	5,202
Net Increase (Decrease) in Cash and Cash Equivalents	54,702	(7,864)	555	47,393	14,012
Cash and Cash Equivalents at Beginning of Year	291,240	241,215	144,181	676,636	134,104
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 345,942	$ 233,351	$ 144,736	$ 724,029	$ 148,116
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Assets:					
Cash and Investments	$ 345,933	$ 225,556	$ 104,184	$ 675,673	$ 148,116
Restricted Cash & Investments	231,212	263,883	40,552	535,647	-
Less Investments not meeting the definition of cash equivalents	(231,203)	(256,088)	-	(487,291)	-
Total Cash and Cash Equivalents at End of Year	$ 345,942	$ 233,351	$ 144,736	$ 724,029	$ 148,116
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:					
Operating Income (Loss)	$ 55,247	$ 40,194	$ (15,121)	$ 80,320	$ 26,681
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:					
Depreciation	76,554	39,627	5,797	121,978	26,513
(Increase) Decrease in Assets:					
Accounts Receivable - Net	2,455	281	63	2,799	(955)
Claims Receivable - Net	-	-	(2)	(2)	2
Contributions Receivable	-	-	-	-	39
Due from Other Funds	-	-	464	464	-
Inventories	-	(511)	76	(435)	72
Prepaid Expenses	5	(10)	10	5	(710)
Increase (Decrease) in Liabilities:					
Accounts Payable	(3,287)	(9,719)	8	(12,998)	(8,252)
Accrued Wages and Benefits	(2,052)	328	193	(1,531)	(296)
Due to Other Funds	(696)	(684)	(134)	(1,514)	(131)
Due to Other Agencies	7,365	(1,525)	-	5,840	-
Unearned Revenue	-	(326)	(372)	(698)	(49)
Contract Deposits	189	237	62	488	-
Arbitrage Liability	(157)	(429)	-	(586)	-
Compensated Absences	(197)	18	(505)	(684)	(362)
Liability Claims	(11,374)	(6,012)	-	(17,386)	2,331
Estimated Landfill Closure and Postclosure Care	-	-	907	907	-
Pollution Remediation Obligation	-	620	-	620	-
Net OPEB Obligation	3,878	3,919	3,652	11,449	1,237
Net Pension Obligation	226	201	198	625	(2,401)
Other Nonoperating Revenue	5,244	751	2,262	8,257	11,386
Total Adjustments	78,153	26,766	12,679	117,598	28,424
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 133,400	$ 66,960	$ (2,442)	$ 197,918	$ 55,105
Noncash Investing, Capital, and Financing Activites:					
Capital Leases	$ -	$ -	$ -	$ -	$ 10,366
Developer Contributed Assets	18,419	22,646	-	41,065	198
Increase (Decrease) in Capital Assets related Accounts Payable	7,632	4,530	(382)	11,780	(6,246)
Noncash Retirement of Capital Assets	(3,525)	(8,142)	(814)	(12,481)	(318)
Contributions of Capital Assets from Governmental Activities	-	3,257	-	3,257	3,174
Proceeds of Refunding Bonds Issued	907,050	301,165	-	1,208,215	-
Repayment of Refunding Bonds to Escrow	(907,050)	(301,165)	-	(1,208,215)	-
Interest Fund Credits for Debt Service Payments	(13,281)	(5,186)	-	(18,467)	-

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

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2009
(In Thousands)

	Pension & Employee Savings Trust	Investment Trust	Agency
ASSETS			
Cash or Equity in Pooled Cash and Investments	$ 4,616	$ 4,637	$ 29,253
Cash with Custodian/Fiscal Agent	371,762	-	-
Investments at Fair Value:			
Short Term Investments	33,311	-	-
Domestic Fixed Income Securities (Bonds)	861,555	-	-
International Fixed Income Securities (Bonds)	143,677	-	-
Domestic Equity Securities (Stocks)	1,444,848	-	-
International Equity Securities (Stocks)	614,246	-	-
Real Estate Equity and Real Estate Securities	350,498	-	-
Defined Contribution Investments	673,922	-	-
Receivables:			
Accounts - Net	-	-	120
Contributions	16,957	-	-
Accrued Interest	13,135	38	15
Loans	32,559	-	-
Securities Sold	81,077	-	-
Prepaid Expenses	73	-	-
Securities Lending Collateral	395,085	-	-
Restricted Cash and Investments	-	-	10,205
Capital Assets - Depreciable	1,275	-	-
TOTAL ASSETS	5,038,596	4,675	$ 39,593
LIABILITIES			
Accounts Payable	6,113	-	$ -
Accrued Wages and Benefits	783	-	-
Deposits/Advances from Others	7,200	-	10,977
Sundry Trust Liabilities	-	-	28,616
DROP Liability	360,758	-	-
Net Other Post Employment Benefit Obligation	607	-	-
Net Pension Obligation	628	-	-
Securities Lending Obligations	395,085	-	-
Securities Purchased	203,700	-	-
TOTAL LIABILITIES	974,874	-	$ 39,593
NET ASSETS			
Held in Trust for Pension Benefits and Other Purposes	$ 4,063,722	$ 4,675	

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

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2009
(In Thousands)

	Pension & Employee Savings Trust	Investment Trust	Total
ADDITIONS			
Employer Contributions	$ 248,677	$ -	$ 248,677
Employee Contributions	95,345	-	95,345
Retiree Contributions	7,483	-	7,483
Contributions to Pooled Investments	-	4,574	4,574
Earnings on Investments:			
Investment Income (Loss)	(1,012,535)	159	(1,012,376)
Investment Expense	(19,661)	-	(19,661)
Net Investment Income (Loss)	(1,032,196)	159	(1,032,037)
Securities Lending Income:			
Gross Earnings	11,607	-	11,607
Borrower Rebates	(4,944)	-	(4,944)
Administrative Expenses (Lending Agent)	(1,754)	-	(1,754)
Net Securities Lending Income	4,909	-	4,909
Other Income:			
Litigation Proceeds	325	-	325
TOTAL OPERATING ADDITIONS	(675,457)	4,733	(670,724)
DEDUCTIONS			
DROP Interest Expense	27,098	-	27,098
Benefit and Claim Payments	373,495	-	373,495
Distributions from Pooled Investments	-	4,484	4,484
Administration	15,057	-	15,057
TOTAL OPERATING DEDUCTIONS	415,650	4,484	420,134
CHANGE IN NET ASSETS	(1,091,107)	249	(1,090,858)
Net Assets at Beginning of Year	5,154,829	4,426	5,159,255
NET ASSETS AT END OF YEAR	$ 4,063,722	$ 4,675	$ 4,068,397

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (In Thousands)

The City of San Diego (the "City") adopted its current charter on April 7, 1931 and operates as a municipality in accordance with State laws. Since adoption, the City Charter has been amended several times. The most recent amendments were added with voter approval of Propositions C and D in the November 4, 2008 election. Proposition C amended the City Charter to designate the use of lease revenues from Mission Bay Park, exceeding certain thresholds, 75% for capital improvements in Mission Bay Park and 25% for capital improvements in other coastal and regional parks. Proposition D amended the Municipal Code section 56.54 to make consumption of alcoholic beverages unlawful at all City parks.

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

a. Financial Reporting Entity

As required by GAAP, these financial statements present the primary government and its component units, entities for which the primary government is considered to be financially accountable.

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

i. The component unit's governing body is substantively the same as the governing body of the primary government (the City).

ii. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it.

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

- Centre City Development Corporation
- City of San Diego/Metropolitan Transit Development Board Authority
- Community Facilities and Other Special Assessment Districts
- Convention Center Expansion Financing Authority
- Public Facilities Financing Authority
- Redevelopment Agency of the City of San Diego
- San Diego Data Processing Corporation
- San Diego Facilities and Equipment Leasing Corporation
- San Diego Industrial Development Authority
- San Diego Open Space Park Facilities District #1
- Southeastern Economic Development Corporation
- San Diego City Employees' Retirement System
- Tobacco Settlement Revenue Funding Corporation
- Tourism Marketing District

A brief description of each blended component unit follows:

- Centre City Development Corporation, Inc. (CCDC) is a not-for-profit public benefit corporation established in 1975 to administer certain redevelopment projects in downtown San Diego and to provide redevelopment advisory services to the Redevelopment Agency of the City of San Diego. The City Council elects the Board of Directors. CCDC's budget and governing board are approved by the Redevelopment Agency of the City of San Diego and services are provided exclusively to the primary government. CCDC is reported as a governmental fund. Financial statements can be requested from Centre City Development Corporation, 401 B Street- Fourth Floor, San Diego, California 92101.

- The City of San Diego/Metropolitan Transit Development Board Authority (MTDB Authority) is a financing authority which was established in 1988 to acquire and construct mass transit guide ways, public transit systems, and related transportation facilities primarily benefiting the residents of the City of San Diego. The Mayor appoints, with Council confirmation, two public members and the MTS Board appoints one MTS boardmember to the governing board of the MTDB Authority. The MTDB Authority primarily provides services to the primary government. The MTDB Authority is reported as a governmental fund. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- The City maintains various Community Facilities, Maintenance Assessment, and Business Improvement Districts to pay for the construction, maintenance and improvement of community facilities and infrastructure. The governing body of Special Assessment Districts and Community Facilities Districts (special districts) is the City Council. Among its duties, it approves the budgets of special districts, parcel fees, special assessments, and special taxes. The special districts are reported in governmental fund types.

- The Convention Center Expansion Financing Authority (CCEFA) was established in 1996 to acquire and construct the expansion of the existing convention center. During the period reported, the CCEFA was governed by a board consisting of the Mayor [the City Manager] the Director of the Port of San Diego, and a member of the Board of Commissioners for the Port of San Diego. Under the strong mayor form of government, the City Manager position does not exist and therefore is currently vacant. The CCEFA provides services which primarily benefit the primary government. CCEFA is reported as a governmental fund. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- The Public Facilities Financing Authority (PFFA) was established in 1991 by the City and the Redevelopment Agency to acquire and construct public capital improvements. PFFA is governed by a board of commissioners composed of the City Treasurer, the assistant executive director of the Redevelopment Agency and three members of the public appointed by the Mayor and confirmed by the 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. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- The Redevelopment Agency of the City of San Diego (RDA) was established in 1958 in order to provide a method for revitalizing deteriorating and blighted areas of the City and began functioning in 1969 under the authority granted by the community redevelopment law. The City Council is the governing board sitting as the Board of Directors of the RDA, and the RDA is reported as a governmental fund. Complete stand-alone financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- San Diego Data Processing Corporation (SDDPC) was formed in 1979 as a not-for-profit public benefit corporation for the purpose of providing data processing services. SDDPC's budget and governing board are approved by the City Council. SDDPC provides services almost exclusively to the primary government. SDDPC is reported as an Internal Service Fund. Financial statements can be requested from San Diego Data Processing Corporation, 5975 Santa Fe Street, San Diego, California 92109.

- 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. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- 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. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- The San Diego Open Space Park Facilities District #1 (SDOSPFD) was established in 1978 by the City for the purpose of acquiring open space properties to implement the Open Space Element of the City's General Plan. The boundaries are contiguous with those of the City. The City Council is the governing board. SDOSPFD is reported as a governmental fund. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- Southeastern Economic Development Corporation (SEDC) is a not-for-profit public benefit corporation organized in 1980 by the City to administer certain redevelopment projects in southeast San Diego and to perform economic development services in its area of influence. SEDC's budget and governing board are approved by the Redevelopment Agency and services are provided exclusively to the primary government. SEDC is reported as a governmental fund. Financial statements can be requested from the Southeastern Economic Development Corporation, 995 Gateway Center Way, Suite 300, San Diego, California 92102.

- San Diego City Employees' Retirement System (SDCERS) was established in 1927 by the City and administers retirement, post employment healthcare, disability, and death benefits. Currently, SDCERS also administers the Port of San Diego and the San Diego County Regional Airport Authority defined benefit plans.

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

  SDCERS is reported as a pension and employee savings trust fund. Complete stand-alone financial statements can be requested from the San Diego City Employees' Retirement System, 401 West A Street, Suite 400, San Diego, California 92101.

- The Tobacco Settlement Revenue Funding Corporation (TSRFC) is a not-for-profit public benefit corporation established in 2006 for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. TSRFC is governed by the Board of Directors which consists of the Chief Operating Officer, the Chief Financial Officer, and one independent director. The independent director shall be appointed by the Mayor or the remaining directors. TSRFC is reported as a governmental fund. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California, 92101.

- The Tourism Marketing District (TMD) is an assessment district created, in fiscal year 2008, by the City on behalf of larger hotel and motel operators within the City. The TMD provides for tourism development, including coordinated joint marketing and promotion of San Diego, in order to maintain and expand the tourism industry. The TMD procedural ordinance establishes a method by which benefited businesses may be assessed for the cost of activities associated with tourism development within their respective area. The governing body of the TMD is the City Council. Among its duties, TMD will initiate proceedings to establish a district upon submission of a written petition, signed by the business owners in the proposed district who will pay more than 50 percent of the assessments proposed to be levied, and will approve the district management plan which includes an annual budget, frequency for levying assessments, and number of years assessments will be levied. The TMD is reported as a governmental fund.

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

There are two entities which are discretely presented component units:

- San Diego Convention Center Corporation (SDCCC)

  SDCCC is a not-for-profit public benefit corporation originally organized to market operate and maintain the San Diego Convention Center. San Diego Theaters Inc. is a non-profit subsidiary of SDCCC created in 2003 to operate the San Diego Civic Theater and the restored Balboa Theater. The City is the sole member of SDCCC and acts through the San Diego City Council in accordance with the City Charter and the City's Municipal Code. The City appoints seven voting members out of the nine-member Board of Directors of SDCCC. The City is liable for any operating deficits and would be secondarily liable for any debt issuances of SDCCC. SDCCC is discretely presented because it provides services directly to the citizens. Complete stand-alone financial statements can be requested from San Diego Convention Center Corporation, 111 West Harbor Drive, San Diego, California 92101.

- 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. Members of the Board of Commissioners are appointed by the Mayor and confirmed by the City Council. SDHC is discretely presented because it provides services directly to the citizens. Complete stand-alone financial statements can be requested from San Diego Housing Commission, 1122 Broadway, Suite 300, San Diego, California 92101.

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

b. <u>Government-Wide and Fund Financial Statements</u>

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on 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 and contributions.

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 have been met.

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

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

All internal service funds, except for the Special Engineering Fund, have been included within governmental activities in the government-wide financial statements since they predominantly benefit governmental functions. The Special Engineering Fund, which services exclusively water and sewer activities, has been included within business-type activities in the government-wide financial statements.

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

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

Revenues which are considered susceptible to accrual include: real and personal property taxes; other local taxes; franchise fees; fines, forfeitures and penalties; motor vehicle license fees; rents and concessions; interest; and state and federal grants and subventions, provided they are received within 60 days from the end of the fiscal year.

Licenses and permits, including parking citations and miscellaneous revenues are recorded as revenues when received in cash because they generally are not measurable until actually received.

Expenditures are recognized when the related fund liability is incurred except for (1) principal and interest of general long-term debt which are recognized when due; and (2) employee annual leave and claims and judgments from litigation which are recorded in the period due and payable since such amounts will not currently be liquidated with expendable available financial resources.

The governmental funds financial statements do not present long-term debt, but the related debt is shown in the reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets. Bond premiums, discounts and issuance costs are recognized during the current period.

Permanent Funds, also referred to as Endowment Funds, are governmental funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs. The City has received endowments for the following programs: Mt. Hope Cemetery; Carmel Valley Sewer Maintenance; North Park Branch Library; Jacaranda Tree planting and maintenance in City rights-of-way; Rancho Bernardo Branch Library; La Jolla/Riford Branch Library; Los Penasquitos Canyon Preserve; Montezuma Road Median Maintenance; Southcrest Oak Estates II landscape maintenance; Sycamore Estates property maintenance; and, the Fortuna Mountain Conservation Bank management within Mission Trails Regional Park. The amount of investment earnings available for expenditure is reported as Undesignated Fund Balance in the fund level financial statements. The endowment principal is reported as Restricted for Nonexpendable Permanent Endowments in the Statement of Net Assets. The State law governing the spending of endowment funds investment earnings is California Probate Code Section 18504.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units, and include pension and employee savings trust, investment trust, and agency funds. Pension and Employee Savings Trust Funds are reported using the same measurement focus and basis of accounting as Proprietary Funds. Agency funds are reported using the accrual basis of accounting.

The following is the City's major governmental fund:

<u>General Fund</u> - 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:

<u>Sewer Utility Fund</u> - 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.

<u>Water Utility Fund</u> - The water utility fund is used to account for operating and maintenance costs, replacements, betterments, expansion of facilities, and payments necessary in obtaining water from the Colorado River and the State Water Project.

The following are the City's other fund types:

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

Pension and Employee Savings Trust Funds - These funds account for the San Diego City Employees' Retirement System, the Supplemental Pension Savings Plan (SPSP), 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 Automated Regional Justice Information System (ARJIS), the San Diego Graphic Information Source (SanGIS), and the Abandoned Vehicle Abatement (AVA) are all legally separate entities which have cash invested in the City Treasurer's investment pool.

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

d. Property Taxes

The County of San Diego (the "County") assesses, bills, and collects property taxes on behalf of numerous special districts and incorporated cities, including the City of San Diego. The City's collections of the current year's taxes are received through periodic apportionments from the County.

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Since the passage of California's Proposition 13, beginning with fiscal year ended 1979, general property taxes are based either on a flat 1% rate applied to the 1975-76 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-76 valuation. Taxable values of properties (exclusive of increases related to sales and new construction) can increase by a maximum of 2% per year. The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13).

At the government-wide level, property tax revenue is recognized in the fiscal year for which the taxes have been levied. Property taxes received after the fiscal year in which they were levied are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are recorded as deferred revenue in the governmental funds. The City provides an allowance for uncollected property taxes of approximately 5% of the outstanding current balance which is analyzed each year against most recent data from the County.

Property owners can appeal the assessment value of their property to the County Assessment Appeals Board. If successful, the County Assessor may reduce the taxable value of a property and/or provide a refund to affected property owners. Reductions of taxable property value within the City of San Diego will have a negative impact on future tax collections until assessed valuations increase.

e. Cash and Investments

The City's cash and cash equivalents for Statement of Cash Flows purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held by the City Treasurer in a cash management investment pool and reported at fair value. Cash equivalents reported in the Statement of Cash Flows for the Water and Sewer Utilities do not include restricted investments represented as Restricted Cash and Investments with a maturity date greater than ninety days.

The City's cash resources are combined to form a cash and investment pool managed by the City Treasurer (the pool). The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it a 2a7–like pool. The investment activities of the Treasurer in managing the pool are governed by California Government Code § 53601 and the City's Investment Policy, which is reviewed by the Investment Advisory Committee and approved annually by 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 individual funds. During the fiscal year ended June 30, 2009, approximately $8,887 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 individual indenture and trustee agreements. Certain component units of the City also participate in LAIF separately from the City Treasurer's investment pool.

All City investments are reported at fair value in accordance with the GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools.* Note 3 of the notes to the financial statements contain additional information on permissible investments per the City investment policy and other policies applicable to the cash and investments reported herein.

The discharge of fiduciary duties by SDCERS' Board is governed by Section 144 of the City Charter and Article XVI, Section 17 of the California State Constitution. Investment decisions are made on a risk versus return basis in a total portfolio context. SDCERS' Board has the authority to delegate investment management duties to outside advisors, to seek the advice of outside investment counsel, and to provide oversight and monitoring of the investment managers it hires. Furthermore, under the California State Constitution and other relevant authorities, SDCERS' Board may, at its discretion, and when prudent in the informed opinion of the Board, invest funds in any form or type of investment, financial instrument, or financial transaction, unless otherwise limited by the San Diego City Council. SDCERS' agents, in

SDCERS' name, manage all investments.

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

f. Inventories

Inventories reported in the government-wide financial statements and the proprietary funds financial statements, which consist of water in storage and supplies, 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, respectively. Inventory supplies of governmental funds are recorded as expenditures when purchased.

g. Land Held for Resale

Land Held for Resale, purchased by RDA, is reported in the government-wide and fund financial statements at the lower of cost or net realizable value.

h. Deferred Charges

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

i. Capital Assets

Non-Depreciable Capital Assets, which include land and construction-in-progress, are reported in the applicable governmental or business-type activities column in the government-wide financial statements, as well as in the Proprietary Funds financial statements.

Depreciable Capital Assets, which include structures and improvements, equipment, distribution and collection systems, and infrastructure, are reported net of accumulated depreciation in the applicable governmental or business-type activities column in the government-wide financial statements, as well as in the proprietary funds financial statements. To meet the criteria for capitalization, an asset must have a useful life in excess of one year and in the case of equipment outlay, must equal or exceed a capitalization threshold of five thousand dollars. All other capital assets such as land, structures, infrastructure, and distribution and collection systems are capitalized regardless of cost. Subsequent improvements are capitalized to the extent that they extend the initial estimated useful life of the capitalized asset, or improve the efficiency or capacity of that asset. Costs for routine maintenance are expensed as incurred. Interest expense incurred during the construction phase of business-type capital assets are reflected in the capitalized value of the asset constructed. During fiscal year 2009, $18,041 of interest expense incurred was capitalized, which is calculated net of related interest revenue of $1,835.

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 of capital assets is computed using the straight-line method over the estimated useful life of the asset as follows:

Assets	Years
Structures and Improvements	
Buildings	40 - 50
Building Improvements	15 - 40
Equipment	
Automobiles and Light Trucks	5 - 10
Construction and Maintenance Vehicles	5 - 20
General Machinery and Office Equipment	3 - 30
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

j. 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 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.

k. 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. There is one interfund loan between the Facilities Benefit Assessments (FBA) Fund and the Sewer Utility Fund, for developer fees owed for the Carmel Valley Trunk sewer project, which is reported as an Interfund Loan Receivable/Payable at the fund level and included with Internal Balances on the government-wide Statement of Net Assets.

Services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursement is reported as expenditures or expenses in the reimbursing fund and a reduction of expenditures or expenses in the paying fund.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.

l. Long-Term Liabilities

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

m. Sundry Trust Liabilities

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

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, proprietary, and fiduciary fund financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g. Social Security and Medicare Tax). A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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 Assets

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

- Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets.
- Restricted Net Assets consist of assets with restrictions imposed on them by external creditors, grantors, contributors, laws and regulations of other governments, or law through constitutional provisions or enabling legislation. It is the City's policy to first apply restricted resources when an expense is incurred for purposes which both restricted and unrestricted net assets are available. As of June 30, 2009, the amount of restricted net assets due to enabling legislation was approximately $147,994.
- Unrestricted Net Assets consist of net assets that do not meet the definition of Invested in Capital Assets, Net of Related Debt or Restricted Net Assets.

r. Fund Balance

In the fund financial statements, portions of fund equity of governmental funds have been reserved for specific purposes. Reservations are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated, or (2) identify the portion of the fund balance that is not appropriable for future expenditures.

Designated fund balance indicates that portion of fund equity for which the City has made tentative plans. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods.

s. Reserves

City Charter Section 91 titled "General Reserve Fund" was approved by the voters on November 6, 1962. This section requires the City Council to create and maintain a General Reserve Fund for the purpose of keeping the payment of running expenses of the City on a cash basis. Section 91 requires the reserve be maintained 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 argument for this charter section given by the Citizens Charter Review Committee, commissioned in 1962, was to "strengthen the financial position of the City through the more efficient utilization of tax monies by reducing the amount of taxes collected and lying idle during a great part of the year, and through focusing responsibility for fiscal policies on the elected City Council."

On February 28, 1984, the City Attorney's Office issued Opinion No. 84-3 which addresses issues in regards to the City's compliance with the funding requirements of Charter Section 91. Such opinion stated, "To the extent that the legislative body approves the issuance of short term notes, commonly referred to as Tax or Revenue Anticipation Notes, pursuant to Section 92 titled "Borrowing Money on Short Term Notes"; or authorizes temporary loans to any tax-supported fund from any other funds in the treasury pursuant to Section 93 titled "Loans and Advances", the General Reserve Fund required under section 91 can be reduced." Therefore, the funding requirements of Charter Section 91 have been satisfied through a combination of the General Fund reserve of $78,347 reported within the General Fund column of the Governmental Funds Balance Sheet in Undesignated Fund Balance, and the provisions set forth in Charter Sections 92 and 93 for the fiscal year ended June 30, 2009.

In September 2007, the City Attorney's Office issued a new opinion that supersedes, in part, the opinion issued on February 28, 1984. The revised opinion states that the Charter Section 91 General Reserve must be a separate, legal fund. This fund, separate from the General Fund, must be funded if not at a "four month operating expenditure" level then at a level of such "other necessary funding." The City Attorney's Opinion referenced the guidance of the Government Finance Officer's Association, which recommends a level between 5% and 15% of operating expenditures as the benchmark for interpreting the required funding level that meets the intent of the City's voters. Per the City Attorney's opinion, the City created a separate General Reserve in fiscal year 2008, and the General Fund reserve monies were transferred to that separate reserve and reported therein in all future financial statements. The City Council also approved the Mayor's "City Reserve Policy" with Ordinance 19679 on November 13, 2007. This is a formal fiscal reserve policy that establishes a General Fund Reserve that will be set at a minimum of 8% of annual General Fund Revenues. The policy provides that the City shall reach this level of funding no later than fiscal year 2012. The General Fund Reserve is reported within the General Fund Undesignated Fund Balance as stated above.

The City also has an internal reserve policy in relation to certain governmental long term liabilities which are repaid with Transient Occupancy Tax revenues. When the liabilities are incurred by the City, the City creates policy reserves equal to one half of the annually required lease payments in the form of a rate stabilization reserve for each liability. The purpose of the internal reserve is to make the lease payments when they are due; even if there are unanticipated fluctuations in the Transient Occupancy Tax receipts that could potentially impact the timely payment of lease payments for such liabilities. The City maintains cash funded debt service reserve funds or surety guarantees with trustees in accordance with the bond indentures that exist for these liabilities.

As of June 30, 2009, the following is a schedule of all such internal stabilization reserves (in whole dollars) by fund:

Internal Stabilization Reserve	CAFR Section	CAFR Column	Amount	
Convention Center Expansion	Special Revenue	Transient Occupancy Tax	$	6,850,531
Petco Park (PFFA-Ballpark)	Special Revenue	Transient Occupancy Tax		5,657,279
Balboa Park (SDFELC)	Special Revenue	Transient Occupancy Tax		3,286,878
Trolley (MTDB)	Special Revenue	Public Transportation		2,043,591
			$	17,838,279

These reserve funds were closed and the balances transferred to the General Fund in the FY2010 operating budget.

t. Participating Agencies Revenue Recognition

The Regional Wastewater Disposal Agreement between the City of San Diego (City) and the Participating Agencies (PA) in the Metropolitan Sewerage System allow for quarterly invoicing of local area member municipalities and utility districts to collect and process sewage waste using the City's facilities. The invoicing is based on an estimated allocation of costs associated with each PA and may not represent that agency's proportionate allocation of actual maintenance and operating costs of the sewerage system, resulting in an overstatement or understatement of revenue reported in the Sewer Utility Statement of Revenues, Expenses, and Changes in Fund Net Assets.

During fiscal year 2009 the City invoiced approximately $43,484, net of $13,966 in credits (expenses) and reimbursements (revenues) as a result of the audits of fiscal year 2006 and 2007 activity. In addition, the City has also recognized and accrued approximately $4,514 in estimated credits applicable to fiscal year 2008, which has been recorded as a liability on the Sewer Utility Statement of Net Assets. In prior years, credits of $2,543 and $8,078 were recorded in the Sewer Utility fund financial statements for fiscal years 2005 and 2004, respectively.

u. Estimates

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

v. New Governmental Accounting Standards Implemented During Fiscal Year Ended June 30, 2009

The requirements for the following accounting standards are effective for the purpose of implementation, for the City, for fiscal year ended June 30, 2009.

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and clean ups. The Statement generally requires the government to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. This would only be required if any one of five obligating events has occurred. If deemed appropriate, the liability will be accrued in the government-wide and proprietary fund financial statements and all required disclosures can be found in Note 18 Contingencies.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which requires endowments to report their land and other real estate investments at fair value. Governments are also required to report changes in fair value as investment income. As of June 30, 2009 the City does not have land or other real estate assets invested in any of the Endowment Funds, which are reported in the Permanent Fund financial statements.

In March 2009, GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the sources of accounting principles and the framework for selecting the principles used in the preparation of the financial statements. The GAAP hierarchy was previously included in the auditing standards of the American Institute of Certified Public Accountants (AICPA). This Statement improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.

In March 2009, GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*. The objective of this Statement is to incorporate in the GASB authoritative literature certain accounting and financial reporting guidance presented in the AICPA Statements on Auditing Standards. The three issues addressed are related party transactions, going concern consideration, and subsequent events. This Statement does not establish new accounting standards but rather incorporates existing guidance into the GASB standards.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (In Thousands)

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

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

The Governmental Funds Balance Sheet includes a reconciliation between “Total Fund Balances-Governmental Funds” and “Total Net Assets-Governmental Activities” as reported in the Government-wide Statement of Net Assets. One element of the reconciliation states, “Other assets and liabilities used in governmental activities are not financial resources (uses), and therefore, are either deferred or not reported in the funds.” The details of this $105,197 difference are as follows:

Deferred Charges, net, July 1, 2008	$ 19,875
Issuance Costs	1,001
Amortization Expense	(1,124)
Deferred Charges, net, June 30, 2009	19,752
Deferred Revenue:	
Taxes Receivable	24,783
Notes Receivable	4,041
Motor Vehicle License Receivable	1,032
Special Assessments Receivable	2,077
Grants and Other Receivables	53,512
Deferred Revenue, net, June 30, 2009	85,445
Net Adjustment to increase "Total Fund Balances-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities"	$ 105,197

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 ($1,924,183) difference are as follows:

Interest Accrued on Long-Term Debt	$ (24,219)
Arbitrage Liability	(533)
Compensated Absences	(66,585)
Liability Claims	(52,190)
Capital Leases Payable	(60,760)
Contracts Payable	(4,715)
Notes Payable	(4,786)
Loans Payable	(44,815)
Section 108 Loans Payable	(33,532)
Net Bonds Payable	(1,402,100)
Accretion of Interest on Capital Appreciation Bonds	(14,682)
Net Pension Obligation	(144,740)
Net OPEB Obligation	(70,526)
Net adjustment to decrease "Total Fund Balances-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities"	$ (1,924,183)

Another element of the reconciliation states, “Internal Service Funds are used by management to charge the costs of activities such as Fleet Services, Publishing Services, Self Insurance, and Central Stores to individual funds. The assets and liabilities of certain Internal Service Funds are included in the governmental activities in the Statement of Net Assets. The details of this $6,826 difference are as follows:

Assets:	
Capital Assets - Non Depreciable	$ 1,984
Capital Assets - Depreciable	123,970
Internal Balances	(2,048)
Other Assets	160,768
Liabilities:	
Compensated Absences	(7,861)
Liability Claims	(221,789)
Capital Lease Obligations	(28,759)
Net Other Post Employment Benefits Obligation	(2,978)
Net Pension Obligation	(2,925)
Other Liabilities	(13,536)
Net adjustment to increase "Total Fund Balances-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities"	$ 6,826

b. Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities:

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between “Net Change in Fund Balances-Total Governmental Funds” and “Changes in Net Assets of Governmental Activities” as reported in the Government-wide Statement of Activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this $121,730 difference are as follows:

Capital Projects	$ 138,634
Other Capital Activities	108,076
Depreciation Expense	(124,980)
Net Adjustment to increase "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	$ 121,730

Another element of the reconciliation states "The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to decrease net assets." The details of this ($17,686) are as follows:

In the Statement of Activities, only the net gain on the sale of land is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the net book value of the capital assets sold/retired.	$ (6,587)
Transfers of capital assets to Business-Type activities decrease net assets in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.	(3,594)
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.	(7,505)
Net adjustment to decrease "Net Change in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	$ (17,686)

Another element of the reconciliation states, "Internal Service Funds are used by management to charge the costs of activities such as Fleet Services, Publishing Services, Central Stores, Self Insurance, and others to individual funds." The net expense of certain Internal Service activities is reported with governmental activities. The details of this $33,982 are as follows:

Allocated Operating Profit	$ 18,508
Nonoperating Revenues (Expenses):	
Loss on Sale/Retirement of Capital Assets	(235)
Other Nonoperating Revenues	14,798
Transfers	713
Capital Contributions	198
Net adjustment to increase "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	$ 33,982

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 consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this ($100,854) difference are as follows:

Debt Issued or Incurred:	
Capital Leases	$ (30,392)
Contracts Payable	(2,100)
Loans Payable	(10,483)
Special Assessment/Special Tax Bonds	(12,365)
Revenue Bonds	(103,000)
Principal Repayments:	
Capital Leases	5,445
Contracts/Notes Payable	876
Loans Payable	168
Section 108 Loans	2,364
G.O. Bonds	2,265
Revenue Bonds	22,450
Special Assessment Bonds/Special Tax Bonds	4,900
Tax Allocation Bonds	14,096
Tobacco Settlement Asset-Backed Bonds	3,990
Pooled Financing Bonds	655
Loans Payable Modification (See Note 5)	277
Net adjustment to decrease "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	$ (100,854)

Another element of the reconciliation states that "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 expenses in governmental funds." The details of this ($92,248) difference are as follows:

Compensated Absences	$ 16
Liability Claims	(39,200)
Net Pension Obligation/Net OPEB Obligation	(48,630)
Accrued Interest	(2,438)
Current Year Premiums/Discounts and Interest Accretion Less Amortization of Bond Premiums	(1,873)
Issuance Costs Less Current Year Amortization	(123)
Net adjustment to decrease "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	$ (92,248)

3. CASH AND INVESTMENTS (In Thousands)

The following is a summary of the carrying amount of cash and investments:

	Governmental Activities	Business-Type Activities	Fiduciary Statement of Net Assets other than SDCERS	Subtotal	SDCERS Fiduciary Statement of Net Assets	Grand Total
Cash and Cash or Equity in Pooled Cash and Investments	$ 1,383,731	$ 723,517	$ 45,512	$ 2,152,760	$ 3,199	$ 2,155,959
Cash and Investments with Fiscal Agent	156,258	175,593	26	331,877	371,736	703,613
Investments at Fair Value	212,149	312,210	673,922	1,198,281	3,448,135	4,646,416
Securities Lending Collateral	-	-	-	-	395,085	395,085
TOTAL	$ 1,752,138	$ 1,211,320	$ 719,460	$ 3,682,918	$ 4,218,155	$ 7,901,073

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

Cash and Cash or Equity in Pooled Cash and Investments represents petty cash, cash at the bank in demand deposit and/or savings accounts, and cash in escrow for contract retention payables. Furthermore, it represents equity in pooled cash and investments, which is discussed in further detail below.

As provided for by California Government Code, the cash balances of substantially all funds and certain outside entities are pooled and invested by the City Treasurer for the purpose of increasing interest earnings through investment activities. The respective funds' shares of the total pooled cash and investments are included in the table above, under the caption Cash and Cash or Equity in Pooled Cash and Investments.

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

Cash on Hand - Petty Cash	$ 206
Deposits - Held in Escrow Accounts	10,205
Deposits - Cash and Cash Equivalents (Not Pooled)	2,146
Deposits - Cash and Cash Equivalents (Pooled)	1,024
Deposits - Certificates of Deposit (CDARS)	15,000
Pooled Investments in the City Treasury	2,127,378
Total Cash and Cash or Equity in Pooled Cash and Investments	$ 2,155,959

A summary of the investments held by the City Treasurer's investment pool as of June 30, 2009 is presented in the table below:

Investment	Fair Value	Book Value	Interest Rate % Range		Maturity Range
U.S. Treasury Bills	$ 190,408	$ 188,884	0.29-2.10%	*	7/2/2009-11/27/2009
U.S. Treasury Notes & Bonds	966,025	961,686	0.88-4.88%		11/15/2009-5/15/2012
U.S. Agency Discount Notes	114,889	113,578	0.34-2.55%	*	8/14/2009-3/30/2010
U.S. Agency Notes & Bonds	533,169	529,225	0.50-4.63%		9/28/2009-6/20/2012
Commercial Paper	119,949	119,800	0.12-0.75%	*	7/1/2009-10/16/2009
Corporate Notes & Bonds	151,832	151,520	1.25-6.88%		8/10/2009-6/22/2012
Local Agency Investment Fund (LAIF)	39,718	39,667	1.91%	**	2/21/2010
Repurchase Agreement	11,388	11,388	0.07%		7/1/2009
Certificates of Deposit (CDARS)	15,000	15,000	2.20-2.21%		4/29/2010-5/6/2010
	$ 2,142,378	$ 2,130,748			

* Discount Rates

** LAIF - Fair Value is adjusted to account for LAIF factor. Maturity range is based on weighted average maturity of 235 days.

The following represents a condensed statement of net assets and changes in net assets for the City Treasurer's cash and investment pool as of June 30, 2009:

Statement of Net Assets	
Deposit - Cash and Cash Equivalents (Pooled)	$ 1,024
Deposits - Certificates of Deposit (CDARS)	15,000
Investments of Pool Participants	2,127,378
Accrued Interest Receivable of Internal Pool Participants	7,227
Accrued Interest Receivable of External Pool Participants	38
Total Cash, Investments, and Interest Receivable	$ 2,150,667
Equity of Internal Pool Participants	$ 2,145,992
Equity of External Pool Participants (SanGIS, ARJIS & AVA) **	4,675
Total Equity	$ 2,150,667

**Voluntary Participation

Statement of Changes in Net Assets	
Net Assets Held for Pool Participants at July 1, 2008	$ 2,063,901
Net Change in Investments by Pool Participants	86,766
Total Net Assets Held for Pool Participants at June 30, 2009	$ 2,150,667

b. Cash and Investments with Fiscal Agents

Cash and Investments with Fiscal Agents represents cash and investments held by fiscal agents resulting from bond issuances. More specifically, these funds represent reserves held by fiscal agents or trustees as legally required by bond issuances and liquid investments held by fiscal agents or trustees which are used to pay debt service. Under the Fiduciary Statement of Net Assets, Cash and Investments with Fiscal Agent represents 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.

The San Diego City Employees' Retirement System (SDCERS) portion of Cash and Investments with Fiscal Agents represents funds held as cash collateral from market neutral portfolios (domestic fixed income investment strategy). Furthermore, it represents transaction settlements, held in each investment manager's portfolio, which are invested overnight by SDCERS' custodial bank.

c. Investments at Fair Value

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

d. Investment Policy

In accordance with City Charter Section 45 and under authority annually approved by the City Council, the City Treasurer is responsible for the safekeeping and investment of the unexpended cash in the City Treasury according to the City Treasurer's Investment Policy (Policy). This Policy applies to all of the investment activities of the City except for the pension trust funds, the proceeds of certain debt issues, which are managed and invested at the direction of the City Treasurer in accordance with the applicable indenture or by Trustees appointed under indenture agreements or by fiscal agents, and the assets of trust funds, which are placed in the custody of the Funds Commission by Council ordinance.

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

The IAC evaluates the horizon returns, risk parameters, security selection, and market assumptions the City's investment staff is using when explaining the City's investment returns. The IAC also meets semi-annually to review the previous two quarters' investment returns and make recommendations to the City Treasurer on proposals presented to the IAC by the Treasurer's staff.

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

Investment Type	Maximum Maturity (1)		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating	
	CGC	City Policy	CGC	City Policy	CGC	City Policy	CGC	City Policy
U.S. Treasury Obligations (bills, bonds, or notes)	5 years	5 years	None	None	None	None	None	None
U.S. Agencies	5 years	5 years	None	(2)	None	(2)	None	None
Bankers' Acceptances (6)	180 days	180 days	40%	40%	30%	10%	None	(3)
Commercial Paper (6)	270 days	270 days	25%	25%	10%	10%	P1	P1
Negotiable Certificates (6)	5 years	5 years	30%	30%	None	10%	None	(3)
Repurchase Agreements	1 year	1 year	None	None	None	None	None	None
Reverse Repurchase Agreements (4)	92 days	92 days	20%	20%	None	None	None	None
Local Agency Investment Fund	N/A	N/A	None	None	None	None	None	None
Non-Negotiable Time Deposits (6)	5 years	5 years	None	25%	None	10%	None	(3)
Medium Term Notes/Bonds (6)	5 years	5 years	30%	30%	None	10%	A	A
Municipal Securities of California Local Agencies (6)	5 years	5 years	None	20%	None	10%	None	A
Mutual Funds	N/A	N/A	20%	5%	10%	None	AAA	AAA
Notes, Bonds, or Other Obligations	5 years	5 years	None	None	None	None	None	AA
Mortgage Pass-Through Securities	5 years	5 years	20%	20%	None	None	AA	AAA
Financial Futures (5)	N/A	None	None	None	None	None	None	None

Footnotes:

(1) In the absence of a specified maximum, the maximum is 5 years.

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

(3) Credit and maturity criteria must be in accordance per Section X of the City's Investment Policy.

(4) Maximum % of portfolio for Reverse Repurchase Agreements is 20% of base value.

(5) Financial futures transactions would be purchased only to hedge against changes in market conditions for the reinvestment of bond proceeds.

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

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

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

In fiscal year 2009, the City invested $15 million as part of the Certificate of Deposit Account Registry Service (CDARS). The CDARS investment was deposited with two institutions, $5 million with Neighborhood National Bank and $10 million with First Business Bank. Under the City Treasurer's Investment Policy, this type of investment is subject to a 1% limit of total portfolio value for the City's pooled investments. The CDARS investment program is permissible per California Government Code (CGC) Section 53601.8 and is subject to a 30% limit of total portfolio value.

Ineligible investments prohibited from use in the portfolio include, but are not limited to, common stocks and long-term corporate notes/bonds. A copy of the City Treasurer's Investment Policy can be requested from the City Treasurer, 1200 3rd Avenue, Suite 100, San Diego, CA 92101.

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 Treasurer's Investment Policy. Each permanent endowment fund has its own separate investment policy. Copies of the individual investment policies can be requested from the City Treasurer, 1200 3rd Avenue, Suite 100, San Diego, CA 92101.

The City and its component units have funds invested in accordance with various bond indenture and trustee agreements. The investment of these bond issuances is in accordance with the Permitted Investments section and applicable account restrictions outlined in the Indenture of each bond issuance. The Permitted Investments section in each Indenture will vary based upon the maturity, cash flow demands, and reserve requirements associated with each issuance. In general, the Permitted Investments section of each Indenture will closely resemble the City Treasurer's Investment Policy, but may include certain investment options not authorized by applicable law for the City Treasurer's Investment Policy (CGC §53601). Copies of the individual bond indentures can be requested from the City Treasurer's Investment Division, 1200 3rd Avenue, Suite 1624, San Diego, CA 92101.

City of San Diego – Disclosures for Specific Risks

e. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Market or interest-rate risk for the City's pooled investments is intended to be mitigated by establishing two portfolios, a liquidity portfolio and a core portfolio. Target durations are based upon the expected short and long-term cash needs of the City. The liquidity portfolio is structured with an adequate mix of highly liquid securities and maturities to meet major cash outflow requirements for at least six months (per CGC Section 53646). The liquidity portfolio uses the 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 Merrill Lynch 1-3 year Treasury Index as a benchmark with a duration of plus or minus 20% of the duration of that benchmark. It consists of high quality liquid securities with a maximum maturity of 5 years and is structured to meet the longer-term cash needs of the City. Information about the sensitivity of the fair value of the City's investments to market interest rate fluctuations is presented in the table below.

As of June 30, 2009, the City's investments (in thousands) by maturity are as follows:

	Years				Fair Value
Pooled Investments with City Treasurer:	Under 1	1-3	3-5	Over 5	(In Thousands)
U.S. Treasury Bills	$ 190,408	$ -	$ -	$ -	$ 190,408
U.S. Treasury Notes	163,352	802,673	-	-	966,025
U.S. Agencies - Federal Farm Credit Bank	45,014	30,631	-	-	75,645
U.S. Agencies - Federal Home Loan Bank	170,603	111,858	-	-	282,461
U.S. Agencies - Federal Home Loan Mortgage Corporation	59,997	65,361	-	-	125,358
U.S. Agencies - Federal National Mortgage Association	40,000	124,594	-	-	164,594
Commercial Paper	119,949	-	-	-	119,949
Corporate Notes	12,073	139,759	-	-	151,832
Non-Negotiable Certificate of Deposit (CDARS deposit)	15,000	-	-	-	15,000
Repurchase Agreement	11,388	-	-	-	11,388
State Local Agency Investment Fund	39,718	-	-	-	39,718
	867,502	1,274,876	-	-	2,142,378
Non-Pooled Investments with City Treasurer:					
U.S. Treasury Bills	118,574	-	-	-	118,574
U.S. Treasury Notes	11,059	2,756	-	-	13,815
U.S. Agencies - Federal Farm Credit Bank	-	11,186	-	-	11,186
U.S. Agencies - Federal Home Loan Bank	15,031	-	-	-	15,031
U.S. Agencies - Federal Home Loan Mortgage Corporation	37,221	-	-	-	37,221
U.S. Agencies - Federal National Mortgage Association	18,200	10,253	-	-	28,453
Commerical Paper	165,146	-	-	-	165,146
Repurchase Agreements	122,812	-	-	-	122,812
	488,043	24,195	-	-	512,238
Investments with Fiscal Agents, Funds Commission, and Blended Component Units:					
U.S. Treasury Bills	23,595	-	-	-	23,595
U.S. Treasury Bonds and Notes	8,894	38,440	-	425	47,759
U.S. Agencies - Federal Home Loan Bank	94,146	-	-	-	94,146
U.S. Agencies - Federal Home Loan Mortgage Corporation	45,773	-	-	-	45,773
U.S. Agencies - Federal National Mortgage Association	23,077	-	-	-	23,077
Commercial Paper	6,054	-	-	-	6,054
Common Stock	2,429	-	-	-	2,429
Corporate Bonds and Notes	124	1,001	538	3,192	4,855
Guaranteed Investment Contracts	-	-	-	13,716	13,716
Money Market Mutual Funds	78,977	-	-	-	78,977
Mortgage Backed Securities - Commercial	-	-	-	89	89
Mortgage Backed Securities - Government	-	-	-	31	31
Mutual Funds - Equity	279,612	-	-	-	279,612
Mutual Funds - Fixed Income	-	-	396,244	1,537	397,781
Cash (with Fiscal Agents)	26	-	-	-	26
	562,707	39,441	396,782	18,990	1,017,920
Total Investments	$ 1,918,252	$ 1,338,512	$ 396,782	$ 18,990	3,672,536
Total Deposits					13,375
Total Cash on Hand					206
Total Investments, Deposits, and Cash on Hand (Includes SDCERS Pooled Cash and Investments with the City - $3,199)					$ 3,686,117

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, 2009, the City's investments and corresponding credit ratings are as follows:

Pooled Investments with City Treasurer:	Moody's	S&P	Fair Value	Percentage
U.S. Treasury Bills	Exempt	Exempt	$ 190,408	8.89%
U.S. Treasury Notes	Exempt	Exempt	966,025	45.10%
U.S. Agencies - Federal Farm Credit Bank	Aaa	N/A	75,645	3.53%
U.S. Agencies - Federal Home Loan Bank [1]	Aaa	N/A	262,517	12.25%
U.S. Agencies - Federal Home Loan Bank [1]	P-1	N/A	19,944	0.93%
U.S. Agencies - Federal Home Loan Mortgage Corporation [1]	Aaa	N/A	70,413	3.29%
U.S. Agencies - Federal Home Loan Mortgage Corporation [1]	P-1	N/A	54,945	2.56%
U.S. Agencies - Federal National Mortgage Association [1]	Aaa	N/A	124,594	5.82%
U.S. Agencies - Federal National Mortgage Association [1]	P-1	N/A	40,000	1.87%
Commercial Paper	P-1	N/A	119,949	5.60%
Corporate Notes	Aaa	N/A	123,055	5.74%
Corporate Notes	Aa1	N/A	5,157	0.24%
Corporate Notes	Aa2	N/A	12,073	0.56%
Corporate Notes	A1	N/A	10,544	0.49%
Corporate Notes	A2	N/A	1,003	0.05%
Non-Negotiable Certificates of Deposit (CDARS deposit)	Not Rated	Not Rated	15,000	0.70%
Repurchase Agreements	Not Rated	Not Rated	11,388	0.53%
State Local Agency Investment Fund	Not Rated	Not Rated	39,718	1.85%
Subtotal - Pooled Investments			2,142,378	100.00%
Non-Pooled Investments with City Treasurer:				
U.S. Treasury Bills	Exempt	Exempt	118,574	23.15%
U.S. Treasury Notes	Exempt	Exempt	13,815	2.70%
U.S. Agencies - Federal Farm Credit Bank	Aaa	N/A	11,186	2.18%
U.S. Agencies - Federal Home Loan Bank	P-1	N/A	15,031	2.93%
U.S. Agencies - Federal Home Loan Mortgage Corporation [1]	Aaa	N/A	12,938	2.53%
U.S. Agencies - Federal Home Loan Mortgage Corporation [1]	P-1	N/A	24,283	4.75%
U.S. Agencies - Federal National Mortgage Association [1]	Aaa	N/A	10,253	1.99%
U.S. Agencies - Federal National Mortgage Association [1]	P-1	N/A	18,200	3.55%
Commerical Paper	P-1	N/A	165,146	32.24%
Repurchase Agreements	Not Rated	Not Rated	122,812	23.98%
Subtotal - Non-Pooled Investments			512,238	100.00%

"Exempt" - Per GASB 40, U.S. Treasury Obligations do not require disclosure of credit quality.

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

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

(continued on next page)

Investments with Fiscal Agents, Funds Commission, and Blended Component Units:	Moody's	S&P	Fair Value	Percentage
U.S. Treasury Bills	Exempt	Exempt	$ 23,595	2.32%
U.S. Treasury Bonds and Notes	Exempt	Exempt	47,759	4.69%
U.S. Agencies - Federal Home Loan Bank [1]	Aaa	N/A	42,977	4.22%
U.S. Agencies - Federal Home Loan Bank [1]	P-1	N/A	51,169	5.03%
U.S. Agencies - Federal Home Loan Mortgage Corporation	P-1	N/A	45,773	4.50%
U.S. Agencies - Federal National Mortgage Association	Aaa	N/A	83	0.01%
U.S. Agencies - Federal National Mortgage Association	P-1	N/A	22,994	2.26%
Commercial Paper	P-1	N/A	6,054	0.59%
Common Stock	Not Rated	Not Rated	2,429	0.24%
Corporate Bonds and Notes	Aa2	N/A	483	0.05%
Corporate Bonds and Notes	Aa3	N/A	169	0.02%
Corporate Bonds and Notes	A1	N/A	954	0.09%
Corporate Bonds and Notes	A2	N/A	2,617	0.26%
Corporate Bonds and Notes	A3	N/A	301	0.03%
Corporate Bonds and Notes	Baa1	N/A	229	0.02%
Corporate Bonds and Notes	Baa2	N/A	102	0.01%
Guaranteed Investment Contracts	Not Rated	Not Rated	13,716	1.35%
Money Market Mutual Funds	Aaa	N/A	78,977	7.76%
Mortgage Backed Securities - Commercial	Aaa	N/A	89	0.01%
Mortgage Backed Securities - Government	Not Rated	Not Rated	31	0.01%
Mutual Funds - Equity	Not Rated	Not Rated	279,612	27.47%
Mutual Funds - Fixed Income	Not Rated	Not Rated	397,781	39.05%
Cash (with Fiscal Agents)	Not Rated	Not Rated	26	0.01%
Subtotal - Other Investments			1,017,920	100.00%
Total Investments			3,672,536	
Total Deposits			13,375	
Total Cash on Hand			206	
Total Investments, Deposits, and Cash on Hand*			$ 3,686,117	

*(includes SDCERS Pooled Cash and Investments with the City - $3,199)

"Exempt" - Per GASB 40, US Treasury Obligations do not require disclosure of credit quality.

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

[1] More than 5% of total investments are with U.S. Agencies whose debt is not backed by 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, 2009, 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, 2009, the carrying amount of the City's cash deposits was approximately $18,170, and the bank balance was approximately $35,849, the difference of which is substantially due to outstanding checks. For the balance of cash deposits in financial institutions, approximately $16,008 was covered by federal depository insurance and approximately $19,841 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, $18,793 of the City’s deposits are pledged at 110% and held by a bank acting as the City’s agent, in the City’s name. The City is exposed to custodial credit risk for the remaining $1,048, which is uninsured and uncollateralized. The amount subject to custodial credit risk includes approximately $1,048 in deposits relating to San Diego Data Processing Corporation.

The City also has deposits held in escrow accounts with a carrying amount and bank balance of approximately $10,205. For the balance of deposits in escrow accounts, approximately $1,851 was covered by federal depository insurance. The remaining balance of $8,354 was uninsured. Pursuant to the California Government Code, California banks and savings and loans associations are required to secure the City’s deposits in excess of insurance by pledging government securities as collateral. As such, $8,354 of the City’s deposits in escrow accounts are collateralized and pledged at 110%.

Investments

The City's investments at June 30, 2009 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, 2009, 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:

Investment Type	Fair Value
U.S. Treasury Bonds and Notes	$ 494
U.S. Agencies	83
Corporate Bonds and Notes	4,855
Mortgage Backed Securities - Commercial	89
Mortgage Backed Securities - Government	31
Common Stock	2,429
Total	$ 7,981

h. Restricted Cash and Investments

Cash and investments at June 30, 2009 that are restricted by legal or contractual requirements are comprised of the following:

Nonmajor Governmental Funds	
Reserved for Debt Service	$ 415,680
Permanent Endowments	15,867
Total Nonmajor Governmental Funds	431,547
Nonmajor Enterprise Funds	
Environmental Services Fund -Funds set aside for landfill site closure and maintenance costs	37,983
Recycling Enterprise Fund - Customer deposits	2,569
Total Nonmajor Enterprise Funds	40,552
Water Utility Enterprise Fund	
Customer deposits	7,317
Interest and redemption funds	256,566
Total Water Utility Enterprise Fund	263,883
Sewer Utility Enterprise Fund	
Interest and redemption funds	231,212
Miscellaneous Agency Funds	
Retention held in escrow	10,205
Total Restricted Cash and Investments	$ 977,399

Summary of Total Cash and Investments
(In Thousands)

Total Unrestricted Cash and Investments	$ 6,923,674
Total Restricted Cash and Investments	977,399
Total Cash and Investments	$ 7,901,073
Total Governmental Activities	$ 1,752,138
Total Business-Type Activities	1,211,320
Total Fiduciary Activities	4,937,615
Total Cash and Investments	$ 7,901,073

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

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

Cash or Equity in Pooled Cash and Investments with the City of San Diego	$ 3,199
Cash and Cash Equivalents on Deposit with Custodial Bank and Fiscal Agents	371,736
Investments at Fair Value:	
Short-Term Investments	33,311
Domestic Fixed Income Securities	861,555
International Fixed Income Securities	143,677
Domestic Equity Securities	1,444,848
International Equity Securities	614,246
Directly Owned Real Estate Assets and Real Estate Equity Securities	350,498
Securities Lending Collateral	395,085
Total Cash and Investments for SDCERS	$ 4,218,155

Narratives and tables presented in the following sections (i. through r.) are taken directly from the comprehensive annual financial report of the San Diego City Employees' Retirement System, as of June 30, 2009, issued December 8, 2009.

i. Investment Policy

Investments for the pension trust fund are authorized to be made by the Board of Administration of the SDCERS (Board) in accordance with 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, but are not limited to, bonds, notes and other obligations, real estate investments, common stock, preferred stock, and pooled vehicles. Additionally, investment policies permit SDCERS' Board to invest in financial futures contracts provided the contracts do not leverage 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 will result in the recognition of a gain or loss under GASB Statement No. 25.

Investment earnings from the pension trust fund are accounted for 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 change in the fair value of investments, less total investment expenses (including investment management/custodial fees and all other significant investment-related costs). SDCERS had realized losses that totaled $314,900 for the year ended June 30, 2009. Pursuant to the San Diego Municipal Code, realized gains and losses determine whether contingent benefits will be paid each fiscal year.

SDCERS' investment portfolio includes fixed income strategies to diversify the investment portfolio. The percentage allocated to these strategies is based on efficient model portfolios developed from an annual asset allocation study. The returns of fixed income strategies are in general more consistent than equity returns. SDCERS' target asset allocation policy is reviewed annually to reflect changes in capital market assumptions. As of June 30, 2009, SDCERS' target allocation to fixed income strategies was 29%. The fixed income allocation is externally managed and is comprised as follows: 22% to core-plus domestic fixed income (benchmarked to the Barclays Capital Aggregate Bond Index), 4% to non-U.S. fixed income (benchmarked to the Citigroup Non-U.S. Government Bond Index), and 3% to convertible bond securities (benchmarked to the Merrill Lynch Convertible Index, All Qualities).

SDCERS also has a 5% target allocation to an unsecuritized market neutral strategy which is benchmarked to the Merrill Lynch 1-5 year Government/Corporate Index. The market neutral and convertible bond strategies are intended to minimze interest rate risk, and duration is not relevant in structuring these portfolios. Convertible securities diversify SDCERS' fixed income portfolio and are expected to provide a higher rate of return than traditional fixed income strategies due to their conversion feature. SDCERS' market neutral strategy was added to SDCERS' fixed income strategy in 1998. This strategy uses equity securities held long and sold short with the cash proceeds of the short sales held in a cash account invested in U.S. Government Federal Funds. Both market neutral strategies have a low correlation to fixed income assets and provide additional diversification to the portfolio's fixed income allocation.

A copy of the SDCERS investment policy and additional details on the results of the system's investment activities are available at 401 West A Street, Suite 400, San Diego, CA 92101.

j. Interest Rate Risk

SDCERS does not have a general investment policy that addresses interest rate risk. Each investment manager's specific investment guidelines places limits on each portfolio to manage interest rate risk. SDCERS uses duration to measure how changes in interest rates will affect the value of its fixed income portfolios. Convertible bonds are typically not subject to interest rate risk as convertible bonds are usually positively correlated to interest rate movements compared to other fixed income securities.

The following table displays the durations for SDCERS' domestic and international fixed income strategies based on portfolio holdings as of June 30, 2009.

Fixed Income Portfolios (Domestic and International)
Portfolio Duration Analysis as of June 30, 2009

Type of Security	Effective Duration (in years)		Fair Value [1] (in thousands)
Collateralized Mortgage Obligations			
Collateralized Mortgage Obligations	7.65	$	104,265
Corporates			
Corporate Bonds	4.07		267,080
Government & Agency Obligations			
FHLMC	3.52		61,308
FNMA	2.80		282,624
GNMA I	5.07		15,006
GNMA II	1.29		954
Treasury Strips	18.90		1,762
Government Issues	5.64		118,705
Municipals	11.71		5,545
Asset-Backed Securities			
Other Asset-Backed Securities	1.13		44,281
Total		$	901,530

[1] Fair Value does not include convertible bonds, short-term investments, and derivative securities of $137,013.
These securities do not exhibit interest rate risk and duration cannot be calculated.

Source: SDCERS' CAFR as of June 30, 2009

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 to the remaining term of maturity. The total value of securities, as of June 30, 2009, that are highly sensitive to interest rate changes due to factors other than term to maturity are presented in the table below.

	Fair Value (in thousands)	Percent of Fixed Income Portfolio
Adjustable Rate Notes	$ 11,133	1.1%
Asset Backed Securities	27,238	2.6%
Floating Rate Notes	66,237	6.4%
Interest Only Strips	1,713	0.2%
Inverse Floating Rate Notes	2,970	0.3%
Range Notes	2,626	0.3%

Source: SDCERS' CAFR as of June 30, 2009

Although SDCERS does not have an investment policy that pertains directly to investments that are highly sensitive to interest changes, this risk is mitigated by diversification of issuer, credit quality, maturity, and security selection.

l. Credit Risk

SDCERS employs two core-plus bond managers that invest in a wide variety of fixed income and derivative securities. One of SDCERS' domestic core-plus fixed income managers has tactical discretion to invest in non-U.S. fixed income securities while the other domestic core-plus fixed income manager is limited to U.S. fixed income investments only. The permitted securities and derivatives for the two domestic core-plus fixed income managers include U.S. Government and Agency obligations, collateralized mortgage obligations, U.S. corporate securities, and asset backed securities. Investment guidelines include minimum average portfolio quality of A rating (market value rated); and minimum credit quality at time of purchase of 80% Baa/BBB and 20% B for a domestic core-plus fixed manager; and Ba/BB for core-plus fixed income manager with tactical discretion to invest in non-U.S. fixed income strategies.

The permitted securities for SDCERS' domestic convertible bond portfolio include convertible bonds, convertible preferred stocks, common stocks, and straight debt and synthetic convertibles. SDCERS' domestic convertible bond portfolio will generally maintain an average rating of at least BB+.

The permitted securities for SDCERS' international fixed income portfolio include international corporate securities, sovereign debt instruments, and international asset backed securities. SDCERS' international fixed income portfolio has the following credit and market risk parameters: minimum average portfolio quality of A rating (market value weighted); and a minimum credit quality at time of purchase of BBB- or equivalent rating by at least one of the major rating agencies.

The table on the following page identifies the credit quality for SDCERS' fixed income strategies based on portfolio holdings as of June 30, 2009.

Credit Quality of SDCERS'
Fixed Income Strategies (Domestic and International)
As of June 30, 2009

S&P Quality Rating	Total Fair Value (in thousands)	Collateralized Mortgage Obligations	Corporates[1]	Government & Agency Obligations[2]	Asset-Backed Securities	Short-Term/ Other
U.S. Treasury	$ 22,140	$ -	$ -	$ 22,140	$ -	$ -
AAA	567,928	83,537	29,611	432,671	22,109	-
AA+	25,931	-	10,046	10,926	4,959	-
AA	28,308	-	19,450	8,121	737	-
AA-	15,950	-	15,950	-	-	-
A+	41,504	-	26,692	2,212	-	12,600
A	58,648	313	57,678	657	-	-
A-	21,786	-	21,786	-	-	-
BBB+	14,733	-	13,581	253	899	-
BBB	10,125	-	4,958	1,384	3,783	-
BBB-	16,460	73	11,896	492	3,999	-
BB+	1,484	528	956	-	-	-
BB	5,529	1,485	4,044	-	-	-
BB-	5,152	1,864	2,143	197	948	-
B+	2,066	-	2,066	-	-	-
B	4,247	-	2,923	-	1,324	-
CCC+	1,849	-	1,849	-	-	-
CCC	2,496	1,541	955	-	-	-
CC	6,239	-	6,239	-	-	-
NR	185,968	14,924	138,737	6,851	5,523	19,933
Totals	$ 1,038,543	$ 104,265	$ 371,560	$ 485,904	$ 44,281	$ 32,533

[1] Corporates include convertible bonds from SDCERS' convertible bond manager.

[2] Includes municipal holdings as well.

Source: SCDERS' CAFR as of June 30, 2009

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, 2009, SDCERS had no single issuer that exceeded 5% of total investments, excluding investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments. With respect to the concentration of credit risk by issue, SDCERS' Investment Policy states that not more than 10% of the fixed income portfolio shall be invested in the debt security of any one issue at the time of initial commitment, except for U.S. Government and 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' exposure to custodial credit risk is further discussed in the following paragraphs.

Deposits

SDCERS' is exposed to custodial credit risk for uncollateralized cash/deposits that are not covered by federal depository insurance. At June 30, 2009, the amount of cash/deposits on deposit with SDCERS' custodial bank totaled $184,200.

Investments

As of June 30, 2009, 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 is exposed to custodial credit risk for the securities lending collateral such that certain collateral is received in the form of letters of credit, tri-party collateral or securities collateral. The fair value of securities on loan collateralized by these non-cash vehicles totaled $35,000 as of June 30, 2009 and are at risk as the collateral for these loaned securities is not held in SDCERS' name and cannot be sold without a borrower default. The cash collateral held by SDCERS' custodian in conjunction with the securities lending program, which totaled $395,085 as of June 30, 2009, is also at risk as it is invested in a pooled vehicle managed by the custodian. The investment characteristics of the collateral pool are disclosed in the Securities Lending Collateral section.

o. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following table represents SDCERS' securities (in thousands) held in a foreign currency as of June 30, 2009.

Foreign Currency Risk [1]
As of June 30, 2009
(All values are in U.S. Dollars)

Local Currency Name	Cash	Equity	Fixed income	Total
Australian Dollar	$ 689	$ 17,271	$ 11,717	$ 29,677
Brazilian Real	-	6,700	-	6,700
Canadian Dollar	97	11,312	2,570	13,979
Swiss Franc	4	34,855	-	34,859
Danish Krone	4	4,707	14,785	19,496
Euro Currency	989	162,934	69,880	233,803
Pound Sterling	356	116,202	3,647	120,205
Hong Kong Dollar	212	48,001	-	48,213
Indonesian Rupiah	-	1,153	-	1,153
Japanese Yen	1,588	124,209	39,826	165,623
South Korean Won	1	729	-	730
Norwegian Krone	128	121	-	249
New Zealand Dollar	-	605	-	605
Philippine Peso	-	140	-	140
Swedish Krona	103	7,357	4,437	11,897
Singapore Dollar	5	6,953	-	6,958
Taiwan Dollar	37	3,360	-	3,397
South African Rand	-	2,093	-	2,093
Totals	$ 4,213	$ 548,702	$ 146,862	$ 699,777

[1] The foreign exchange exposure in SDCERS' international equity small cap value portfolio (an institutional mutual fund investment) is not included in this disclosure.

Source: SCDERS' CAFR as of June 30, 2009

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. As such, SDCERS does not have a policy to hedge against fluctuations in foreign exchange rates. SDCERS' investment managers may hedge currencies at their discretion pursuant to specific guidelines included in their investment management agreements.

p. Derivative Instruments

SDCERS' investment managers, as permitted by specific investment guidelines, may enter into transactions involving derivative financial instruments, consistent with the objectives established by the Board's Investment Policy Statement. These instruments include futures, options and swaps. By Board policy these investment vehicles may not be used to leverage SDCERS' portfolio. These instruments are used primarily to enhance a portfolio's performance and to reduce its risk or volatility. The notional or contractual amount (in thousands) of futures contracts as of June 30, 2009 was $350,600. The fair value (in thousands) of options and swaps included in the short-term investments line on the SDCERS Statement of Plan Net Assets was $7,900 as of June 30, 2009.

Futures contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery on a specific financial instrument on a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that counterparty will not pay and generally requires margin payments to minimize such risk.

Option contracts provide the option purchaser with the right, but not the obligation, to buy or sell the underlying security at a set price during a period or at a specified date. The option writer is obligated to buy or sell the underlying security if the option purchaser chooses to exercise the option. SDCERS uses exchange-traded and over-the-counter options. Options are sold and proceeds are received to enhance fixed income portfolio performance. Option contracts sold were predominantly on money market and short-term instruments of less than one-year to maturity. In call option contracts, if interest rates remained steady or declined during the option contract periods, the contracts would expire unexercised. By contrast, in put option contracts, if interest rates rose sufficiently to result in the purchase of the securities on or before the end of the option periods, this would occur at prices attractive to the portfolio manager.

Swap agreements are used to modify investment returns or interest rates on investments. Swap transactions involve the exchange of investment returns or interest rate payments without the exchange of the underlying principal amounts. These swaps could expose investors entering into these types of arrangements to credit risk in the event of non-performance by counterparties.

In January 2009, SDCERS implemented a cash overlay program with the objective of keeping the portfolio performing more closely to its target asset allocations. SDCERS does not have an allocation to cash, but the portfolio will have cash balances held at the investment manager level to settle trades. The overlay program utilizes futures contracts as an inexpensive, highly liquid method of maintaining the portfolio's exposures to the target allocation.

q. Real Estate

SDCERS' target allocation to real estate is 11%. SDCERS' Board established the following portfolio composition target: a minimum of 30% in stable core real estate and a maximum of 70% to enhanced, high return and opportunistic real estate opportunities. No more than 40% of SDCERS' real estate portfolio is allocated to non-U.S. real estate investment opportunities pursuant to a policy adopted by the Board in FY 2007. As of June 30, 2009, unfunded capital commitments totaled $111,300 and real estate investments totaled $350,498.

r. Securities Lending Collateral

SDCERS has entered into an agreement with its custodial bank, State Street, 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 the securities lending program and receives cash and/or securities as collateral. Borrowers are required to deliver collateral equal to 102% of the market value of domestic securities on loan and 105% of the market value of international securities on loan. 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 the State Street on behalf of SDCERS for securities borrowed. State Street has indemnified SDCERS by agreeing to purchase replacement securities or return cash collateral in the event a borrower fails to return or pay distributions on a loaned security. SDCERS incurred no losses during the fiscal year resulting from a default of the borrowers or State Street. Non-cash collateral (securities and letters of credit) cannot be pledged or sold without a borrower default and are therefore not reported as an asset of SDCERS for financial reporting purposes.

Despite lending 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. During the fiscal year, the two collateral pools that SDCERS was invested in and managed by State Street were impacted by market events and the credit crunch. Market values of securities held in collateral pools declined as liquidity evaporated. However, SDCERS' investments in the collateral pools did not realize any losses. 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, and all rules, regulations, and exemptions from time to time promulgated and issued under the authority of those laws.

The SDCERS securities lending transactions, collateralized by cash as of June 30, 2009 had a fair value of $382,500 and a collateral value of $395,085, which were reported in the assets and liabilities in the accompanying Statements of Plan Net Assets for the Group Trust in accordance with GASB Statement No. 28. As of June 30, 2009, the securities lending transactions collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of $35,000 and a collateral value of $36,800, which were not reported in the assets or liabilities in the accompanying Statements of Plan Net Assets for the Group Trust per GASB Statement No. 28. The total collateral pledged to SDCERS at fiscal year end for its securities lending activities was $395,085.

The cash collateral received on lent securities was invested by State Street, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because the securities loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. As of June 30, 2009, the investment pool had an average duration of 42.64 days and an average weighted maturity of 317.62 days for U.S. Dollar (USD) denominated collateral. Beginning in fiscal year 2007, the securities lending program was expanded to allow the acceptance of Euro (EUR) denominated collateral. As of June 30, 2008, the Euro collateral pool had an average duration of 35 days and an average weighted maturity of 508 days.

As of June 30, 2009, SDCERS has lent $417,500 in securities and received collateral of $36,759 and $395,085 in securities and cash, respectively from borrowers. SDCERS' securities lending transactions as of June 30, 2009, are summarized in the following table.

Securities Lending as of June 30, 2009

Security Type	Fair Value of Loaned Securities	Cash Collateral	Fair Value of Securities Collateral
Securities Loaned for Cash Collateral			
US Corporate Bond and Equity (USD)	$ 255,040	$ 263,150	$ -
US Government Agencies (USD)	39,839	40,672	-
Non-US Fixed Income (EUR)	38,307	38,924	-
Non-US Fixed Income (USD)	2,754	2,765	-
Non-US Equity (USD)	46,550	49,574	-
Securities Loaned with Non-Cash Collateral			
US Government Agencies (USD)	11,422	-	11,795
US Corporate Bond and Equity (USD)	124	-	3,011
Non-US Equity (EUR)	-	-	1
Non-US Equity (USD)	23,464	-	21,952
Total	$ 417,500	$ 395,085	$ 36,759

Source: SCDERS' as of June 30, 2009

Discretely Presented Component Units – Disclosures for Policy and Specific Risks

Narratives and tables presented in the following sections (s. through t.) are taken directly from the comprehensive annual financial reports of the San Diego Convention Center Corporation and the San Diego Housing Commission, as of June 30, 2009, respectively.

s. San Diego Convention Center Corporation

Cash deposits and investments for SDCCC were categorized as follows at June 30, 2009:

Cash on hand	$ 59
Deposits	1,449
Certificates of deposit	1,452
Money market account deposits	1,010
Money market mutual funds	17,786
Total cash and investments	$ 21,756

Deposits (In Thousands)

On June 30, 2009, the carrying amount of the San Diego Convention Center Corporation's (SDCCC) cash on hand, deposits, certificates of deposit, and money market account deposits was $3,970 and the bank balance was $4,029. Of the bank balance, $2,317 was covered by federal depository insurance. The remaining uninsured balance of $1,712 was collateralized with the collateral held by an affiliate of the counterparty's financial institution. Neither the money market account deposits nor the certificates of deposit are rated by credit rating agencies. The $1,452 invested in certificates of deposit bear interest rates from 1.3% to 1.6%, and have maturities of less than one year. SDCCC does not have a formal deposit and investment policy that addresses custodial credit risk.

Investments (In Thousands)

At June 30, 2009, SDCCC had a total investment balance of $17,786. The total investment balance includes $17,786 in money market mutual funds. Of the amount invested in money market funds and accounts, $13,634 was covered by the U.S. Treasury Department's temporary Money Market Fund Guarantee Program. The money market mutual funds are not rated by credit rating agencies. SDCCC does not have a formal deposit and investment policy that addresses credit quality risk and places no limit on the amount that may be invested in any one account or fund. Of the total investments not covered by the Guarantee Program or Federal depository insurance, 16.5% were invested in a Dreyfus money market mutual fund. There were no other investment amounts in any single account or fund that exceeded 5% of total uninsured investments.

t. San Diego Housing Commission

Cash, cash equivalents, and investments at June 30, 2009 consisted of the following:

Deposits	$ 4,261
Petty cash	12
Certificates of deposit	2,259
Agency Bonds	49,494
Corporate Bonds	7,103
Investment - Other	1
Local agency investment fund	31,328
Total cash and investments	94,458
Restricted cash and cash equivalents	699
Total	$ 95,157

Deposits (In Thousands)

The carrying amount of the San Diego Housing Commission's (SDHC) deposits and petty cash was $4,273 and the bank balance was $4,737 at June 30, 2009. The bank balances were fully insured and/or collateralized with securities held by the pledging financial institutions in SDHC's name. The California Government Code requires California banks and savings and loan associations to secure SDHC's deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in SDHC's name.

At June 30, 2009, SDHC had a carrying amount and bank balance of $2,259 in non-negotiable certificates of deposit. The certificates of deposit were either covered by FDIC insurance or 100% collateralized with securities held by pledging financial institutions.

Investments (In Thousands)

As of June 30, 2009, SDHC's investments included corporate bonds, agency bonds, and California Local Agency Investment Fund (LAIF). SDHC had $7,103 in corporate bonds, which represent an investment in FDIC-guaranteed floating rate corporate debt securities (floaters) explicitly backed by the U.S. government. Unlike fixed rate instruments, the coupon rate on these floating-rate securities resets every 3 months based on the 90 day London Inter-Bank Offer Rate (LIBOR) index plus a margin or basis points. All of SDHC's corporate bonds were rated AAA by Standard & Poor's as of June 30, 2009.

Agency bonds represent the SDHC's investment in Government-Sponsored Enterprises (GSE) Senior Debt bonds and Mortgage-backed Security (MBS) bonds traded on an active secondary market. As of June 30, 2009, SDHC had $49,494 invested in these AAA rated securities, with a weighted average maturity of 791 days.

SDHC participates in the Local Agency Investment Fund (LAIF). As of June 30, 2009, SDHC had $31,328 invested with LAIF. The investment in LAIF represents SDHC's equity in the pooled investments of that fund. The average maturity of LAIF investments was 235 days as of June 30, 2009. LAIF had 14.71% of the pool investment funds in structured notes and asset-backed securities.

Policy

In accordance with state statutes and HUD regulations, SDHC has authorized the CFO or their designee to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in the

Commission Investment Policy. An Investment Committee, consisting of two Commission Board members, monitors the management of funds and compliance with the Commission Investment Policy. There are many factors that can affect the value of investments. Some factors, such as credit risk, custodial risk, concentration of credit risk, and interest rate risk, may affect both equity and fixed income securities. It is the investment policy of SDHC to invest substantially all of its funds in fixed income securities which limits SDHC's exposure to most types of risk.

Interest Rate Risk

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

Credit Risk

SDHC will minimize credit risk by limiting investments to those listed in the investment policy. In addition, SDHC will pre-qualify the financial institutions, broker/dealers, intermediaries, and advisors with which SDHC will do business in accordance with the investment policy. SDHC will diversify the portion of the investment portfolio not invested in U.S. Treasury Bills, Notes, Bonds, and Collateralized Certificates of Deposit to minimize potential losses from any one type of security or issuer.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers. Investments issued or guaranteed by the U.S. government and investments in external investment pools such as LAIF are not considered subject to concentration of credit risk. SDHC may choose to maintain 100% of its investment portfolio in U.S. Treasury Bills, Notes, Bonds, and Collateralized Certificates of Deposit.

Custodial Credit Risk

At June 30, 2009, SDHC did not have any investments exposed to custodial risk. Bonds are purchased through a Merrill Lynch account in SDHC's name. All securities are held in safekeeping by Merrill Lynch and are covered by Securities Investor Protection Corporation (SIPC) and a separate Lloyd's of London policy for a combined aggregate limit of $600 million.

4. CAPITAL ASSETS (In Thousands)

Capital asset activity for the year ended June 30, 2009 was as follows:

	Primary Government				
	Beginning Balance	Increases	Decreases/ Adjustments	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	$ 1,755,956	$ 20,081	$ (6,587)	$ (482)	$ 1,768,968
Construction in Progress	165,880	125,367	(4,149)	(94,357)	192,741
Total Non-Depreciable Capital Assets	1,921,836	145,448	(10,736)	(94,839)	1,961,709
Depreciable Capital Assets:					
Structures and Improvements	1,143,383	13,231	(1,426)	14,600	1,169,788
Equipment	367,004	65,087	(64,151)	2,513	370,453
Infrastructure	3,007,785	56,086	(3,066)	79,746	3,140,551
Total Depreciable Capital Assets	4,518,172	134,404	(68,643)	96,859	4,680,792
Less Accumulated Depreciation For:					
Structures and Improvements	(315,471)	(29,158)	1,426	(97)	(343,300)
Equipment	(233,687)	(34,940)	69,863	(2,302)	(201,066)
Infrastructure	(1,555,533)	(87,395)	383	(65)	(1,642,610)
Total Accumulated Depreciation	(2,104,691)	(151,493)	71,672	(2,464)	(2,186,976)
Total Depreciable Capital Assets - Net of Depreciation	2,413,481	(17,089)	3,029	94,395	2,493,816
Governmental Activities Capital Assets, Net	$ 4,335,317	$ 128,359	$ (7,707)	$ (444)	$ 4,455,525
BUSINESS-TYPE ACTIVITIES:					
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	$ 89,988	$ -	$ (5)	$ 3,257	$ 93,240
Construction in Progress	174,065	202,630	(4,772)	(80,640)	291,283
Total Non-Depreciable Capital Assets	264,053	202,630	(4,777)	(77,383)	384,523
Depreciable Capital Assets:					
Structures and Improvements	1,785,713	5,144	(199,367)	18,871	1,610,361
Equipment	342,574	3,100	56,206	2,111	403,991
Distribution & Collection Systems and Other Infrastructure	3,481,401	54,946	119,275	54,381	3,710,003
Total Depreciable Capital Assets	5,609,688	63,190	(23,886)	75,363	5,724,355
Less Accumulated Depreciation For:					
Structures and Improvements	(362,874)	(36,641)	42,954	103	(356,458)
Equipment	(240,505)	(22,918)	14,027	2,296	(247,100)
Distribution & Collection Systems and Other Infrastructure	(635,444)	(62,419)	(40,801)	65	(738,599)
Total Accumulated Depreciation	(1,238,823)	(121,978)	16,180	2,464	(1,342,157)
Total Depreciable Capital Assets - Net of Depreciation	4,370,865	(58,788)	(7,706)	77,827	4,382,198
Business-Type Activities Capital Assets, Net	$ 4,634,918	$ 143,842	$ (12,483)	$ 444	$ 4,766,721

Governmental Activities capital assets net of accumulated depreciation at June 30, 2009 are comprised of the following:

General Capital Assets, Net	$	4,329,571
Internal Service Funds Capital Assets, Net		125,954
Total	$	4,455,525

Business-Type Activities capital assets net of accumulated depreciation at June 30, 2009 are comprised of the following:

Enterprise Funds Capital Assets, Net	$	4,766,721

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

Governmental Activities:

General Government and Support	$	5,914
Public Safety - Police		4,904
Public Safety - Fire and Life Safety		2,892
Parks, Recreation, Culture and Leisure		35,067
Transportation		73,761
Sanitation and Health		290
Neighborhood Services		2,152
Subtotal		124,980
Internal Service		26,513
Total Depreciation Expense	$	151,493

Business-Type Activities:

Airports	$	520
City Store		1
Development Services		267
Environmental Services		3,140
Golf Course		817
Recycling		1,052
Sewer Utility		76,554
Water Utility		39,627
Total Depreciation Expense	$	121,978

Discretely Presented Component Units

Capital asset activities for the City's Discretely Presented Component Units for the year ended June 30, 2009 are as follows:

	Discretely Presented Component Unit - San Diego Convention Center Corp.			
	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Depreciable Capital Assets:				
Structures and Improvements	$ 25,329	$ 1,097	$ (160)	$ 26,266
Equipment	9,317	627	(214)	9,730
Total Depreciable Capital Assets	34,646	1,724	(374)	35,996
Less Accumulated Depreciation For:				
Structures and Improvements	(10,626)	(1,691)	96	(12,221)
Equipment	(6,843)	(735)	207	(7,371)
Total Accumulated Depreciation	(17,469)	(2,426)	303	(19,592)
Capital Assets, Net	$ 17,177	$ (702)	$ (71)	$ 16,404

	Discretely Presented Component Unit - San Diego Housing Commission			
	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Non-Depreciable Capital Assets:				
Land, Easements, Rights of Way	$ 29,544	$ -	$ -	$ 29,544
Construction in Progress	11,720	-	(4,719)	7,001
Total Non-Depreciable Capital Assets	41,264	-	(4,719)	36,545
Depreciable Capital Assets:				
Structures and Improvements	64,273	-	4,499	68,772
Equipment	2,463	162	220	2,845
Total Depreciable Capital Assets	66,736	162	4,719	71,617
Less Accumulated Depreciation For:				
Structures and Improvements	(7,628)	(1,942)	-	(9,570)
Equipment	(939)	(425)	-	(1,364)
Total Accumulated Depreciation	(8,567)	(2,367)	-	(10,934)
Total Depreciable Capital Assets - Net of Depreciation	58,169	(2,205)	4,719	60,683
Capital Assets, Net	$ 99,433	$ (2,205)	$ -	$ 97,228

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

a. Long-Term Liabilities

Governmental long-term liabilities as of June 30, 2009 are comprised of the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2009
Arbitrage Liability				$ 533
Compensated Absences				74,446
Liability Claims				273,979
Capital Lease Obligations				89,519
Contracts Payable:				
Contract Payable to SDSU Foundation, dated December 1991	variable*	---	$ 1,598	1,598
Amendment to Contract Payable to SDSU Foundation, dated January 1995	variable*	---	117	117
Contract Payable to Western Pacific Housing, Inc., dated April 2004	5.0%	---	3,000	3,000
Total Contracts Payable				4,715
Notes Payable:				
Note Payable to Price Charities, dated April 2001	5.0	2032	5,115	2,506
Note Payable to Price Charities, dated May 2005	8.0	2025	2,100	2,100
Amendment to Note Payable to Price Charities, dated February 2006	8.0	2025	180	180
Total Notes Payable				4,786
Loans Payable:				
International Gateway Associates, LLC, dated October 2001	10.0	2032	1,876	1,788
PCCP/SB Las America, LLC, dated August 2005	10.0	2036	1,247	1,222
Centerpoint, LLC, dated April 2006	5.5	2021	5,246	4,969
Bank of America, N.A. Line of Credit, dated October 2006	variable*	2009	8,530	8,530
California Housing Finance Agency dated October, 2006	3.0	2017	1,250	1,250
California Energy Resources Conservation and Development Commission, dated January 2007	4.5	2021	302	302
California Energy Resources Conservation and Development Commission, dated March 2007	3.95	2019	2,154	1,760
San Diego National Bank, Line of Credit, dated July 2007 City Heights Housing Area	4.05	2011	1,298	1,298
San Diego National Bank, Line of Credit, dated July 2007 City Heights Non-Housing Area	6.42	2011	2,011	2,011
San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Housing Area	2.58	2011	2,635	2,635
San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Non-Housing Area	1.0 - 5.49	2011	6,804	11,100
San Diego National Bank, Line of Credit, dated July 2007 North Bay Housing Area	4.05	2011	2,255	2,255
San Diego National Bank, Line of Credit, dated July 2007 North Park Non-Housing Area	1.42 - 4.05	2011	3,695	5,695
Total Loans Payable				44,815
Section 108 Loans Payable				33,532

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2009
General Obligation Bonds:				
Public Safety Communications Project, Series 1991	5.0 - 8.0**	2012	$ 25,500	$ 6,315
Total General Obligation Bonds				6,315
Revenue Bonds / Lease Revenue Bonds / COPs:				
MTDB Authority Lease Revenue Refunding Bonds, Series 1994	4.25 - 5.625**	2010	66,570	2,770
Public Facilities Financing Authority Stadium Lease Revenue Bonds, Series 1996 A	6.2 - 7.45**	2027	68,425	56,275
San Diego Facilities and Equipment Leasing Corp. Certificates of Participation, Series 1996 A	4.0 - 5.6**	2011	33,430	6,685
San Diego Facilities and Equipment Leasing Corp. Certificates of Participation Refunding, Series 1996 B	4.0 - 6.0**	2022	11,720	8,050
Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 1998 A	3.8 - 5.25**	2028	205,000	168,065
Centre City Parking Revenue Bonds, Series 1999 A	4.5 - 6.49**	2026	12,105	9,860
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 A	2.75 - 4.75**	2018	30,515	11,850
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 B	3.5 - 5.10**	2018	7,630	2,930
Public Facilities Financing Authority Fire and Life Safety Lease Revenue Bonds, Series 2002 B	3.55 - 7.0**	2032	25,070	22,280
Centre City Parking Revenue Bonds, Series 2003 B	3.0 - 5.30**	2027	20,515	17,570
MTDB Authority Lease Revenue Refunding Bonds, Series 2003	2.0 - 4.375**	2023	15,255	12,120
San Diego Facilities Equipment Leasing Corp. Certificates of Participation Refunding, Series 2003	1.0 - 4.0**	2024	17,425	8,655
Public Facilities Financing Authority Ballpark Lease Revenue Refunding Bonds, Series 2007 A	5.0 - 5.25**	2032	156,560	149,390
Public Facilities Financing Authority Lease Revenue Bonds, Series 2009 A	variable*	2019	103,000	103,000
Total Revenue Bonds / Lease Revenue Bonds / COPs				579,500
Special Assessment / Special Tax Bonds:				
Otay Mesa Industrial Park Limited Obligation Improvement Bonds, Issued May 1992	5.5 - 7.95**	2013	2,235	250
Miramar Ranch North Special Tax Refunding Bonds, Series 1998	3.75 - 5.375**	2021	59,465	39,650
Santaluz Special Tax Bonds, Improvement Area No.1, Series 2000 A	4.75 - 6.375**	2031	56,020	52,000
Santaluz Special Tax Bonds, Improvement Area No.3, Series 2000 B	4.5 - 6.2**	2031	4,350	4,020
City of San Diego Reassessment District No. 2003-1 Limited Obligation Refunding Bonds	4.25 - 5.8**	2018	8,850	6,210
Piper Ranch Limited Obligation Improvement Bonds, Issued January 2004	2.5 - 6.2**	2034	5,430	4,310
Santaluz Special Tax Bonds, Improvement Area No.1, Series 2004 A	1.7 - 5.5**	2031	5,000	4,500
Santaluz Special Tax Bonds, Improvement Area No.4, Series 2004 A	1.65 - 5.5**	2034	9,965	9,450
Liberty Station Special Tax Bonds, Series 2006 A	5.0 - 5.75**	2037	16,000	15,630
Liberty Station Special Tax Bonds, Series 2008 A	3.74 - 6.3**	2037	3,950	3,885
Black Mountain Ranch Villages Special Tax Bonds Series 2008 A	3.125-6.0**	2038	12,365	12,365
Total Special Assessment / Special Tax Bonds				152,270

(continued on next page)

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2009
Tax Allocation Bonds:				
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995	7.8 - 9.75**	2014	$ 1,400	$ 580
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	4.4 - 6.0**	2020	1,200	750
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	3.8 - 6.0**	2016	12,970	6,355
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	3.0 - 5.125**	2019	25,680	25,200
Centre City Redevelopment Tax Allocation Bonds, Series 1999 B	6.25**	2014	11,360	11,360
Centre City Redevelopment Tax Allocation Bonds, Series 1999 C	3.1 - 4.75**	2025	13,610	11,705
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	4.5 - 5.8**	2029	5,690	5,060
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	5.75 - 6.4***	2029	10,141	8,982
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	4.0 - 5.6**	2025	6,100	4,810
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	3.95 - 5.35**	2025	21,390	18,190
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.8**	2022	15,025	13,110
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.875**	2031	13,000	11,200
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	4.1 - 5.9**	2031	7,000	6,035
Centre City Redevelopment Tax Allocation Bonds, Series 2001 A	4.93 - 5.55****	2027	58,425	55,795
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	5.0**	2027	3,055	3,055
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	2.5 - 5.0**	2029	31,000	11,980
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	5.875 - 6.5**	2034	4,955	4,955
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B	2.5 - 4.25**	2014	865	410
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	1.5 - 6.125**	2028	7,145	6,045
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	4.75 - 5.0**	2034	5,360	5,360
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	4.65 - 5.1**	2022	6,325	6,325
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	3.25 - 5.45**	2022	4,530	4,300
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	3.49 - 7.74**	2022	8,000	6,565
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	3.5 - 5.25**	2030	101,180	93,410
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 B	2.26 - 4.58**	2011	9,855	3,035
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	2.26 - 6.18**	2030	27,785	25,035

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2009
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	2.26 - 6.28**	2030	$ 8,905	$ 8,035
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A	4.25 - 5.25**	2033	76,225	75,025
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B	5.66 - 6.2**	2032	33,760	32,880
Centre City Redevelopment Project Tax Allocation Bonds, Series 2008 A	3.74 - 6.3**	2021	69,000	69,000
Total Tax Allocation Bonds				534,547
Tobacco Settlement Asset-Backed Bonds:				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	7.125**	2023	105,400	95,380
Pooled Financing Bonds:				
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 A	5.95 - 6.65**	2038	17,230	16,340
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 B	4.0 - 5.25**	2038	17,755	17,120
Total Pooled Financing Bonds				33,460
Total Bonds Payable				1,401,472
Net Other Postemployment Benefits Obligation				73,504
Net Pension Obligation				147,665
Total Governmental Activities Long-Term Liabilities				$ 2,148,966

* Additional information on the variable rate contracts payable with the SDSU Foundation, the loan payable line of credit from Bank of America, and the PFFA Lease Revenue Bonds, Series 2009 A are discussed further on the following page.

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

*** The City Heights Redevelopment Tax Allocation Bonds, Series 1999 B, are capital appreciation bonds, which mature from fiscal year 2011 through 2029. The balance outstanding at June 30, 2009 does not include accreted interest of $7,695.

**** The Centre City Redevelopment Tax Allocation Bonds, Series 2001 A, partially include capital appreciation bonds, which mature from fiscal year 2015 through 2027. The balance outstanding at June 30, 2009 does not include accreted interest of $6,987.

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

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

Public safety general obligation bonds are secured by a pledge of the full faith and credit of the City or by a pledge of the City to levy ad valorem property taxes without limitation. Open space general obligation bonds are backed by Environmental Growth Fund 2/3 franchise fees.

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.

Special assessment/special tax bonds are issued by the City to provide funds for public improvements in/and or serving special assessment and Mello-Roos districts created by the City. The bonds are secured by assessments and special taxes levied on the properties located within the assessment districts and the community facilities districts, and are payable solely from the assessments and special taxes collected. The assessments and the special taxes, and any bonds payable from them, are secured by a lien on the properties upon which the assessments and the special taxes are levied. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds.

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.

San Diego State University Foundation executed an Agreement for Processing a Redevelopment Plan and Land Use Entitlements with RDA which allows for reimbursement of expenses incurred by the Foundation, in assisting in the preparation and processing of the Redevelopment Plan and Land Use Entitlements in the College Area. The agreement is a variable rate obligation of RDA. The unpaid principal bears interest at the prime rate and is fixed on a quarterly basis, using the prime rate established on the first banking day of each calendar quarter. Interest calculations are made on the quarterly weighted average of the principal balance and are made at the end of the quarter based upon the rate fixed for that quarter. The effective interest rate as of June 30, 2009 is 3.25 percent.

Loans Payable includes a loan agreement with Centerpoint, LLC that was for the purpose of constructing affordable housing and retail space pursuant to the terms of a Disposition and Development Agreement and the first and second implementation agreements. On December 29, 2008 a third implementation agreement was executed that converted the project from the sale of residential dwelling units to rental residential dwelling units. Due to the modification of the size of the dwelling units to be developed and the corresponding reduction in the development costs, the amount of the loan was reduced from $5,245 to $4,969. The corresponding liability has been reduced in the Statement of Net Assets.

Loans Payable includes a line of credit executed by RDA with Bank of America, N.A. on October 31, 2006. The line of credit is to be used to refinance the North Park Theatre, to pay sums of settlement of eminent domain actions relating to the North Park Redevelopment Area and for other redevelopment activities in the North Park Redevelopment Area. The tax-exempt portion of the line of credit has an effective interest rate of 3.23 percent, the taxable portion has an effective interest rate of 4.75 percent as of June 30, 2009, and the effective interest rate will reset on October 31, annually.

Loans Payable also includes six separate non-revolving secured three-year term lines of credit executed by RDA with San Diego National Bank dated July 26, 2007. Four lines of credit are for affordable housing in North Park, City Heights, North Bay and Naval Training Center (NTC) Redevelopment Project Areas. Two lines of credit are for non-housing or general purposes for City Heights and NTC Redevelopment Project Areas. Each advance taken from the lines of credit has a fixed rate that is set on the day of the advance to be equal to either the United States Three-Year Treasury Constant Maturities Index plus one and nine-tenths percentage point or the One-Month LIBOR Rate plus one and one-tenth percentage point and that rate remains constant during the entire period such advance is outstanding.

PFFA Lease Revenue Bonds, Series 2009A were issued for the purpose of financing various capital improvement projects. The Series 2009A bonds are secured from base rental payments and bear interest at a rate of 3.89 percent through June 1, 2010. Thereafter the interest rate will be fixed to equal the purchaser's internal cost of funds rate plus a fixed spread of 3.0 percent, provided that in no event will the interest rate exceed 12 percent, and the new rate will remain constant until the final maturity date of December 1, 2018.

Tobacco Settlement Asset-Backed Bonds are limited obligations of the Tobacco Settlement Revenue Funding Corporation, which is a separate legal California nonprofit public benefit corporation established by the City of San Diego. The Corporation 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, 2009, including interest payments to maturity, are as follows:

Year Ended June 30,	Capital Lease Obligations		Contracts Payable		Notes Payable		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 15,963	$ 3,551	$ -	$ -	$ -	$ -	$ 8,708	$ 1,616
2011	15,475	2,661	-	-	-	-	25,180	650
2012	15,915	2,056	-	-	-	-	195	351
2013	14,294	1,438	-	-	-	-	205	341
2014	10,152	933	-	-	-	-	216	330
2015-2019	13,413	1,827	-	-	-	-	1,264	1,467
2020-2024	4,307	531	-	-	-	-	480	1,177
2025-2029	-	-	-	-	-	-	772	884
2030-2034	-	-	-	-	-	-	1,045	412
2035-2039	-	-	-	-	-	-	229	35
Unscheduled*	-	-	4,715	1,868	4,786	1,767	6,521	-
Total	$ 89,519	$ 12,997	$ 4,715	$ 1,868	$ 4,786	$ 1,767	$ 44,815	$ 7,263

** The contracts payable to SDSU Foundation in the amount of $1,715, the contract payable to Western Pacific Housing, Inc. in the amount of $3,000, the notes payable to Price Charities of $4,786, the loan payable to Centerpoint, LLC in the amount of $4,969, the loan payable to California Housing Finance Agency in the amount of $1,250, and the loan payable to the California Energy Resources Conservation and Development Commission in the amount of $302 do not have repayment schedules. Annual payments on the San Diego State University debt is based on the availability of tax increment, net of the low-moderate and taxing agency set-asides, as well as project area administration costs. Annual payments on the Western Pacific Housing, Inc., and Price Charities debt are based on available tax increment. Annual payments on the Centerpoint, LLC debt are based upon future receipts of unallocated tax increment or other available sources. Annual payments on the California Housing Agency are deferred for the term of the loan. Annual payments on the California Energy and Resources Conservation and Development Commission will not begin until project completion.*

Year Ended June 30,	Section 108 Loans Principal	Section 108 Loans Interest	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds / COPs Principal	Revenue Bonds / COPs Interest	Special Assessment / Special Tax Bonds Principal	Special Assessment / Special Tax Bonds Interest
2010	$ 2,457	$ 1,685	$ 1,975	$ 353	$ 21,955	$ 29,735	$ 5,130	$ 8,408
2011	2,595	1,579	2,100	219	29,776	27,720	5,490	8,152
2012	2,724	1,460	2,240	74	27,567	26,402	5,860	7,870
2013	2,863	1,329			28,870	25,094	6,155	7,561
2014	3,016	1,186	-	-	30,227	23,719	6,430	7,224
2015-2019	13,023	3,659	-	-	163,510	96,248	36,755	30,530
2020-2024	6,158	1,036	-	-	124,740	60,620	29,515	20,969
2025-2029	696	21	-	-	117,650	25,611	28,415	13,088
2030-2034	-	-	-	-	35,205	3,736	21,765	4,470
2035-2039	-	-	-	-	-	-	6,755	707
Total	$ 33,532	$ 11,955	$ 6,315	$ 646	$ 579,500	$ 318,885	$ 152,270	$ 108,979

Year Ended June 30,	Tax Allocation Bonds Principal	Tax Allocation Bonds Unaccreted Appreciation	Tax Allocation Bonds Interest	Tobacco Asset-Backed Bonds Principal	Tobacco Asset-Backed Bonds Interest	Pooled Financing Bonds Principal	Pooled Financing Bonds Interest
2010	$ 19,054	$ 2,163	$ 26,620	$ 3,800	$ 6,796	$ 680	$ 1,883
2011	19,948	2,243	25,727	4,000	6,525	770	1,846
2012	20,884	2,317	24,749	4,400	6,240	825	1,805
2013	24,143	2,388	23,612	4,600	5,927	860	1,762
2014	25,704	2,455	22,327	5,000	5,599	900	1,718
2015-2019	144,897	12,014	90,577	30,900	22,101	5,280	7,821
2020-2024	134,019	8,824	52,561	42,680	8,765	5,725	6,247
2025-2029	102,468	2,181	22,801	-	-	6,880	4,470
2030-2034	43,430	-	4,500	-	-	7,895	2,155
2035-2039	-	-	-	-	-	3,645	445
Subtotal	534,547	34,585	293,474	95,380	61,953	33,460	30,152
Add:							
Accreted Appreciation							
through June 30, 2009	14,682	-	-	-	-	-	-
Total	$ 549,229	$ 34,585	$ 293,474	$ 95,380	$ 61,953	$ 33,460	$ 30,152

** 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, 2009. The effect of bond accretion, bond premiums, discounts, and deferred amounts on bond refunds are amortized as adjustments to long-term liabilities.

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Arbitrage Liability	$ -	$ 533	$ -	$ 533	$ -
Compensated Absences	74,825	62,642	(63,021)	74,446	34,912
Liability Claims	232,448	84,863	(43,332)	273,979	43,663
Capital Lease Obligations	61,262	40,758	(12,501)	89,519	15,963
Contracts Payable	2,615	2,100	-	4,715	-
Notes Payable	5,662	-	(876)	4,786	-
Loans Payable	34,777	10,483	(445)	44,815	8,708
Section 108 Loans Payable	35,896	-	(2,364)	33,532	2,457
General Obligation Bonds	8,580	-	(2,265)	6,315	1,975
Revenue Bonds / COPs	498,950	103,000	(22,450)	579,500	21,955
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(4,235)	-	203	(4,032)	(203)
Net Revenue Bonds/COP's	494,715	103,000	(22,247)	575,468	21,752
Special Assessment / Special Tax Bonds	144,805	12,365	(4,900)	152,270	5,130
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(534)	(129)	53	(610)	(53)
Net Special Assessment Bonds	144,271	12,236	(4,847)	151,660	5,077
Tax Allocation Bonds	548,643	-	(14,096)	534,547	19,054
Interest Accretion	12,837	2,080	(235)	14,682	-
Balance with Accretion	561,480	2,080	(14,331)	549,229	19,054
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	5,494	-	(116)	5,378	116
Net Tax Allocation Bonds	566,974	2,080	(14,447)	554,607	19,170
Tobacco Settlement Asset-Backed Bonds	99,370	-	(3,990)	95,380	3,800
Pooled Financing Bonds	34,115	-	(655)	33,460	680
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(125)	-	17	(108)	(17)
Net Pooled Financing Bonds	33,990	-	(638)	33,352	663
Net Other Postemployment Benefits Obligation	28,872	44,632	-	73,504	-
Net Pension Obligation	141,734	5,931	-	147,665	-
Total	$ 1,965,991	$ 369,258	$ (170,973)	$ 2,164,276	$ 158,140

d. Defeasance and Redemption of Debt

As of June 30, 2009, principal amounts payable from escrow funds established for defeased bonds are as follows:

Defeased Bonds	Amount
Central Imperial Redevelopment Project Tax Allocation Bonds, Series 2000	$ 2,975
Southcrest Redevelopment Project Tax Allocation Bonds, Series 2000	1,520
Total Defeased Bonds Outstanding	$ 4,495

e. Long-Term Pledged Liabilities

Governmental long-term pledged liabilities as of June 30, 2009 are comprised of the following:

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Pledged CDBG Revenue:				
Section 108 Loans Payable		$ 34,763	$ 3,534	$ 3,534
Total Pledged CDBG Revenue		34,763	3,534	3,534
Pledged Developer Revenue:				
Regional Transportation Center Redevelopment Project (Section 108)	2021	2,663	285	285
Total Pledged Developer Revenue		2,663	285	285
Pledged Net Operating Revenue (Parking):				
Centre City Parking Revenue Bonds, Series 1999 A	2026	16,065	957	953
Centre City Parking Revenue Bonds, Series 2003 B	2027	26,879	1,508	1,390
Total Pledged Net Operating Revenue (Parking)		42,944	2,465	2,343
Pledged Special Assessment / Special Tax Revenue:				
Otay Mesa Industrial Park Limited Obligation Improvement Bonds, Issued May 1992	2013	292	72	71
Miramar Ranch North Special Tax Refunding Bonds, Series 1998	2021	52,117	4,371	4,147
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 A	2018	13,651	2,330	1,882
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 B	2018	3,424	599	470
Santaluz Special Tax Bonds, Improvement Area No.1, Series 2000 A	2031	96,349	4,368	4,287
Santaluz Special Tax Bonds, Improvement Area No.3, Series 2000 B	2031	7,325	316	337
City of San Diego Reassessment District No. 2003-1 Limited Obligation Refunding Bonds	2018	7,899	966	732
Piper Ranch Limited Obligation Improvement Bonds, Issued January 2004	2034	8,311	345	317
Santaluz Special Tax Bonds, Improvement Area No.1, Series 2004 A	2031	7,615	377	370
Santaluz Special Tax Bonds, Improvement Area No.4, Series 2004 A	2034	17,221	625	692
Liberty Station Special Tax Bonds, Series 2006 A	2037	31,193	1,149	1,554
Liberty Station Special Tax Bonds, Series 2008 A	2037	7,760	256	347
Black Mountain Ranch Villages Special Tax Bonds Series 2008 A	2038	25169	358	986
Total Pledged Special Assessment / Special Tax Revenue		278,326	16,132	16,192

(continued on next page)

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Pledged Tax Increment Revenue:				
Contracts				
Contract Payable to SDSU Foundation, dated December 1991	---	$ 3,095	-	$ -
Amendment to Contract Payable to SDSU Foundation, dated January 1995	---	233	-	-
Contract Payable to Western Pacific Housing, Inc., dated April 2004	---	3,476	-	-
Notes				
Note Payable to Price Charities, dated April 2001	2032	4,274	1,045	1,045
Note Payable to Price Charities, dated May 2005	2025	2,100	-	-
Amendment to Note Payable to Price Charities, dated February 2006	2025	180	-	-
Loans				
International Gateway Associates, LLC, dated October 2001	2032	4,776	199	199
PCCP/SB Las America, LLC, dated August 2005	2036	3,571	132	132
Centerpoint, LLC, dated April 2006	2021	4,969	-	-
Bank of America, N.A. Line of Credit, dated October 2006	2009	8,626	330	330
San Diego National Bank, Line of Credit, dated July 2007 City Heights Housing Area	2011	1,419	74	74
San Diego National Bank, Line of Credit, dated July 2007 City Heights Non-Housing Area	2011	2,255	163	163
San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Housing Area	2011	2,748	55	55
San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Non-Housing Area	2011	11,651	317	317
San Diego National Bank, Line of Credit, dated July 2007 North Bay Housing Area	2011	2,407	93	93
San Diego National Bank, Line of Credit, dated July 2007 North Park Non-Housing Area	2011	5,952	140	140
Naval Training Center Civic, Arts, and Cultural Center (Section 108)	2025	8,062	509	509

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Bonds				
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995	2014	$ 732	$ 145	$ 145
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	2020	1,018	91	91
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	2016	7,778	1,116	1,110
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	2019	32,987	1,276	1,209
Centre City Redevelopment Tax Allocation Bonds, Series 1999 B	2014	13,154	710	3,083
Centre City Redevelopment Tax Allocation Bonds, Series 1999 C	2025	17,179	794	780
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	2029	8,497	430	418
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	2029	31,130	571	543
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	2025	7,215	445	441
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	2025	27,376	1,458	1,406
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	2022	18,806	1,353	1,340
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	2031	19,804	893	834
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	2031	10,676	479	448
Centre City Redevelopment Tax Allocation Bonds, Series 2001 A	2027	109,162	2,567	2,473
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	2027	5,355	153	153
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	2029	21,107	3,971	3,886
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	2034	10,371	316	316
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B	2014	452	92	92
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	2028	9,975	546	546
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	2034	11,189	259	259

(continued on next page)

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	2022	$ 9,487	$ 310	$ 306
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	2022	6,135	327	309
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	2022	10,252	798	770
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	2030	146,086	6,855	6,855
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 B	2011	3,155	1,965	1,965
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	2030	41,891	2,230	2,152
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	2030	13,570	723	698
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A	2033	125,477	4,356	4,268
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B	2032	61,393	2,642	2,617
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 A	2038	32,499	1,409	1,409
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 B	2038	31,113	1,164	1,164
Centre City Redevelopment Project Tax Allocation Bonds, Series 2008 A	2021	95,878	2,800	9,927
Total Pledged Tax Increment Revenue		1,010,693	46,301	55,070
Pledged Tobacco Settlement Revenue:				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	2023	$ 157,333	$ 11,056	$ 10,100
Total Pledged Tobacco Settlement Revenue		157,333	11,056	10,100
Total Pledged Revenue		$ 1,526,722	$ 79,773	$ 87,524

6. BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES (In Thousands)

a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2009 are comprised of the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2009
Compensated Absences				$ 12,671
Liability Claims				32,853
Loans Payable:				
Loans Payable to San Diego County Water Authority	-	-	$ 100	100
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80%**	2020	10,606	6,301
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80**	2022	6,684	4,613
Loans Payable to State Water Resources Control Board, issued March 30, 2001	1.80**	2022	33,720	23,262
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80**	2022	7,742	5,340
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80**	2021	860	553
Loans Payable to State Water Resources Control Board, issued June 11, 2001	1.80**	2021	2,525	1,623
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.99**	2020	3,767	2,459
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.80**	2023	8,068	5,942
Loans Payable to State Water Resources Control Board, issued December 14, 2005	1.89**	2024	10,093	8,257
Loans Payable to Department of Health Services, issued July 6, 2005	2.51**	2026	21,525	18,491
Loans Payable to State Water Resources Control Board, issued October 15, 2006	1.99**	2024	3,858	3,306
Loans Payable to State Water Resources Control Board, issued February 28, 2007	1.89**	2026	11,068	10,079
Total Loans Payable				90,326

(continued on next page)

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2009
Bonds Payable:				
Sewer Revenue Bonds, Series 1995	3.9 - 6.0*	2025	$ 350,000	$ 43,850
Sewer Revenue Bonds, Series 1997 A	3.7 - 5.375*	2027	183,000	22,565
Sewer Revenue Bonds, Series 1997 B	3.7 - 5.375*	2027	67,000	8,260
Water Certificate of Undivided Interest, Series 1998	4.0 - 5.375*	2029	385,000	141,320
Sewer Revenue Bonds, Series 1999 A	3.5 - 5.125*	2029	203,350	67,020
Sewer Revenue Bonds, Series 1999 B	3.5 - 5.125*	2029	112,060	37,080
Subordinated Water Revenue Bonds, Series 2002	2.0 - 5.0*	2033	286,945	272,846
Senior Sewer Revenue Bonds, Series 2009 A	2.0-5.375*	2039	453,775	453,775
Senior Sewer Revenue Refunding Bonds Series 2009 B	3.0-5.5*	2025	634,940	634,940
Water Revenue Refunding Bonds, Series 2009 A	2.5-5.25*	2039	157,190	157,190
Water Revenue Bonds, Series 2009 B	2.5-5.75*	2040	328,060	328,060
Total Bonds Payable				2,166,906
Estimated Landfill Closure and Postclosure Care				19,336
Net Other Postemployment Benefits Obligation				19,767
Net Pension Obligation				29,474
Pollution Remediation Obligation				620
Total Business-Type Activities Long-Term Liabilities				$ 2,371,953

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

** *Effective rate*

b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2009, including interest payments to maturity, are as follows:

Year Ended June 30	Loans Payable Principal	Loans Payable Interest	Revenue Bonds Payable Principal	Revenue Bonds Payable Interest
2010	$ 5,653	$ 1,780	$ 58,741	$ 97,033
2011	5,765	1,670	63,915	103,683
2012	5,878	1,557	66,420	101,173
2013	5,992	1,443	69,275	98,325
2014	6,109	1,326	72,485	95,112
2015-2019	32,384	4,792	417,635	420,395
2020-2024	25,072	1,677	485,090	307,757
2025-2029	3,373	89	470,265	183,672
2030-2034	-	-	220,205	96,243
2035-2039	-	-	221,720	39,781
2040-2044	-	-	21,155	582
Unscheduled*	100	-	-	-
Total	$ 90,326	$ 14,334	$ 2,166,906	$ 1,543,756

** The loan payable to the San Diego County Water Authority in the amount of $100 does not have an annual repayment schedule. The payment is due if funding for the projects for which the loan was received becomes available from other sources.*

c. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2009. 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	$ 586	$ -	$ (586)	$ -	$ -
Compensated Absences	13,355	11,949	(12,633)	12,671	6,315
Liability Claims	50,239	(13,794)	(3,592)	32,853	3,501
Capital Lease Obligations	166	-	(166)	-	-
Revenue Notes Payable	430,830	-	(430,830)	-	-
Loans Payable	95,875	-	(5,549)	90,326	5,653
Revenue Bonds Payable	1,425,445	1,573,965	(832,504)	2,166,906	58,741
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(6,619)	39,748	7,951	41,080	2,142
Net Revenue Bonds Payable	1,418,826	1,613,713	(824,553)	2,207,986	60,883
Estimated Landfill Closure/Postclosure Care	18,429	907	-	19,336	-
Net Other Postemployment Benefits Obligation	8,921	10,846	-	19,767	-
Net Pension Obligation	31,342	-	(1,868)	29,474	-
Pollution Remediation Obligation	-	620	-	620	-
Totals	$ 2,068,569	$ 1,624,241	$ (1,279,777)	$ 2,413,033	$ 76,352

d. Defeasance and Redemption of Debt

PFFA issued Water Revenue Bonds, Series 2009A in the amount of $157,190 and Series 2009B in the amount of $328,060. The bond proceeds were used to fully redeem outstanding Subordinated Water Notes, Series 2007A and Subordinated Water Notes, Series 2008A and for partial redemption of the Water Certificates of Undivided Interest, Series 1998. The Water 2007A and 2008A Notes have been redeemed and the corresponding liabilities have been removed from the Statement of Net Assets. The redemption transaction for the Water 2007A Notes resulted in a total economic loss of approximately $11,161 and a cash flow cost of approximately $21,558. The redemption transaction for the Water 2008A Notes resulted in a total economic loss of approximately $40,412 and a cash flow cost of approximately $92,955. The partial refunding of $94,165 from the remaining outstanding Water Certificates of Undivided Interest, Series 1998 resulted in a total economic gain of approximately $5,580 and a cash flow savings of approximately $8,741. All of the Notes and Certificates that were redeemed or refunded from the Water Revenue Bonds, Series 2009A and 2009B were called or redeemed at a date prior to the end of the fiscal year, and accordingly, there is no defeased debt balance outstanding as of June 30, 2009.

PFFA issued Senior Sewer Revenue Bonds, Series 2009A in the amount of $453,775 and Series 2009B in the amount of $634,940. The bond proceeds were used to fully redeem and refund outstanding Subordinated Sewer Revenue Notes, Series 2007 and Sewer Revenue Bonds, Series 1993. The bond proceeds were also used for a partial redemption of the Sewer Revenue Bonds, Series 1995, Series 1997A, Series 1997B, Series 1999A and Series 1999B. The Subordinated Sewer Notes, Series 2007 were fully redeemed while the Sewer Revenue Bonds, Series 1993, carry a defeased balance in an escrow fund, listed below. Both liabilities have been removed from the Statement of Net Assets. The redemption transaction for the Sewer 2007 Notes resulted in a total economic loss of approximately $23,013 and a cash flow cost of approximately $44,084. The redemption transaction for the Sewer Revenue Bonds, Series 1993 resulted in a total economic gain of approximately $8,457 and a cash flow savings of approximately $13,951. The partial redemption of the Sewer Revenue Bonds, Series 1995 resulted in a total economic gain of approximately $11,086 and a cash flow savings of approximately $18,287. The partial redemption of the Sewer Revenue Bonds, Series 1997A and Series 1997B resulted in a total economic gain of approximately $10,954 and a cash flow savings of approximately $18,190. The partial redemption of the Sewer Revenue Bonds, Series 1999A and Series 1999B resulted in a total economic gain of approximately $7,933 and a cash flow savings of approximately $13,085. The 2007 Notes were fully redeemed and the partial refunding of the Series 1995, 1997 and 1999 bonds, from the Sewer Revenue Bonds, Series 2009A and Series 2009B, were all called or redeemed at a date prior to the end of the fiscal year, and accordingly, there is no defeased debt balance outstanding as of June 30, 2009.

As of June 30, 2009, principal amount payable from the escrow fund established for the defeased bond is as follows:

Defeased Bonds	Balance
Sewer Revenue Bonds, Series 1993	$ 160,220

e. Long-Term Pledged Liabilities

Business-type activities long-term pledged liabilities as of June 30, 2009 are comprised of the following:

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Pledged Net Sewer Systems Revenue:				
Loans				
Loans Payable to State Water Resources Control Board, issued February 9, 2000	2020	$ 7,004	$ 637	$ 637
Loans Payable to State Water Resources Control Board, issued February 9, 2000	2022	5,216	401	401
Loans Payable to State Water Resources Control Board, issued March 30, 2001	2022	26,320	2,025	2,025
Loans Payable to State Water Resources Control Board, issued May 17, 2001	2022	6,038	465	465
Loans Payable to State Water Resources Control Board, issued May 17, 2001	2021	619	52	52
Loans Payable to State Water Resources Control Board, issued June 11, 2001	2021	1,819	151	151
Loans Payable to State Water Resources Control Board, issued October 3, 2002	2020	2,763	251	251
Loans Payable to State Water Resources Control Board, issued October 3, 2002	2023	6,777	484	484
Loans Payable to State Water Resources Control Board, issued December 14, 2005	2024	9,561	637	637
Loans Payable to State Water Resources Control Board, issued October 15, 2006	2024	3,858	258	258
Loans Payable to State Water Resources Control Board, issued February 28, 2007	2026	11,883	699	699

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Bonds and Notes				
Sewer Revenue Bonds, Series 1993	2023	$ -	$ 16,319	$ 16,316
Sewer Revenue Bonds, Series 1995	2025	78,930	23,585	23,581
Sewer Revenue Bonds, Series 1997 A	2027	43,889	12,179	12,177
Sewer Revenue Bonds, Series 1997 B	2027	16,066	4,458	4,457
Sewer Revenue Bonds, Series 1999 A	2029	126,138	13,207	12,352
Sewer Revenue Bonds, Series 1999 B	2029	69,789	7,308	7,118
Subordinated Sewer Revenue Notes, Series 2007	2009	-	11,192	11,190
Senior Sewer Revenue Bonds, Series 2009 A	2039	858,509	-	-
Senior Sewer Revenue Refunding Bonds Series 2009 B	2025	911,622	-	-
Total Pledged Net Sewer Systems Revenue		2,186,801	94,308	93,251
Pledged Net Water Systems Revenue:				
Loans				
Loans Payable to Department of Health Services, issued July 6, 2005	2026	22,703	1,376	1,376
Bonds and Notes				
Water Certificate of Undivided Interest, Series 1998	2029	256,934	21,354	20,002
Subordinated Water Revenue Bonds, Series 2002	2033	424,199	18,037	17,200
Subordinated Water Revenue Notes, Series 2007 A	2009	-	2,301	2,301
Subordinated Water Revenue Notes, Series 2008 A	2010	-	4,551	6,532
Water Revenue Refunding Bonds, Series 2009 A	2039	262,608	-	-
Water Revenue Bonds, Series 2009 B	2040	661,977	-	-
Total Pledged Net Water Systems Revenue		1,628,421	47,619	47,411
Total Pledged Revenues		$ 3,815,222	$ 141,927	$ 140,662

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

Discretely presented component units long-term debt as of June 30, 2009 is comprised as follows:

San Diego Convention Center Corporation

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2009	Due Within One Year
Compensated Absences				$ 1,214	$ 1,214
Capital Leases			$ 3,942	1,394	863
Note Payable to San Diego Unified Port District, dated 1999	0.00%	2011	10,000	1,500	1,000
Total Long-Term Liabilities				$ 4,108	$ 3,077

Annual requirements to amortize long-term debt as of June 30, 2009, are as follows:

Capital Lease

Fiscal Year	Amount
2010	$ 931
2011	543
Total minimum lease payments	1,474
Less: amount representing interest	(80)
Present value of minimum lease payments	$ 1,394

Note Payable

Fiscal Year	Amount
2010	$ 1,000
2011	500
Total	$ 1,500

San Diego Housing Commission

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2009	Due Within One Year
Compensated Absences				$ 1,351	$ 1,351
Note Payable to Chase, dated June 1995	Variable	2012	$ 4,725	3,274	161
Note Payable to State of California (RHCP)	0.0	2014	1,405	1,405	-
Note Payable to State of California (RHCP)	0.0	2015	3,149	3,149	-
Note Payable to US Bank, dated November 2006	Variable	2012	20,550	19,245	241
Total Notes Payable				27,073	402
Total Long-Term Liabilities				$ 28,424	$ 1,753

The interest rate for the Chase obligation as of June 30, 2009 was 3.01%. The variable rate in accordance with the loan agreement is equal to .65 times the sum of the Variable Index Rate plus 3%. The Variable Index Rate is defined as the most recently available monthly weighted average cost of funds for 11th District Savings Institutions published by the Federal Home Loan Bank of San Francisco.

The interest rate for the US Bank obligation as of June 30, 2009 was 7.54%. The variable interest rate in accordance with the loan agreement is 2.25% plus LIBOR.

The Commission entered into an Interest Rate Swap Agreement with US Bank (the Swap Provider) to reduce the impact of changes in interest rate. Under the terms of the Swap Agreement, the Commission has agreed to pay interest to the Swap Provider at a fixed rate of 5.29% plus 2.25% exclusive of any fees, add-ons or other trustee or bank charges, while the Swap Provider has agreed to make the Commission's required monthly mortgage payment. The notional amount of the Swap Agreement is $20,006. The Swap Agreement expires at maturity of the mortgage in 2011.

Pursuant to SFAS No. 133, derivative instruments not meeting the criteria for hedge accounting are recorded at fair value on the statement of net assets with any change in fair value reflected in the statement of activities in the period of change. The Commission recorded a liability for the fair value of the interest rate swap as of June 30, 2009 in the amount of $1,736. During the year ended June 30, 2009, a loss in fair value of $831 has been realized and is included in the statement of activities.

Annual requirements to amortize such long-term debt as of June 30, 2009 to maturity are as follows:

Year Ending June 30	Principal	Interest
2010	$ 402	$ 1,563
2011	416	1,540
2012	21,701	488
2013	-	-
2014	1,405	-
2015-2019	3,149	-
Total	$ 27,073	$ 3,591

8. SHORT-TERM NOTES PAYABLE (In Thousands)

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

Short-term debt activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax and Revenue Anticipation Notes	$ 116,000	$ 135,000	$ (251,000)	$ -

The $116,000 (FY08) TRANs issue, which was a 13 month note obligation, had an interest rate of 3.90% and was repaid on August 1, 2008.

The $135,000 (FY09) TRANs issue had an average effective interest rate of 2.68% and was repaid on April 30, 2009.

9. JOINT VENTURE and JOINTLY GOVERNED ORGANIZATIONS (In Thousands)

San Diego Medical Services Enterprise, LLC

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. San Diego Medical Services Enterprise, LLC (SDMSE) is a joint venture that is reported within the General Fund, in accordance with GASB 14.

SDMSE was organized on May 2, 1997 to provide emergency medical services and medical transportation services to the citizens of San Diego. Operations began July 1, 1997 under an initial 5 year agreement that was extended on July 1, 2002 and again on July 1, 2005 for an additional three year period. On July 1, 2008 operations were extended until December 31, 2009 under a separate extension agreement and may be extended an additional six months if necessary. In addition, the City Council has authorized the Mayor to re-negotiate and execute a new five year agreement with SDMSE for ambulance services. The San Diego City Attorney is currently reviewing the proposed extension agreement and related SDMSE agreements to determine whether any changes to these agreements may be appropriate.

The SDMSE partners are the City of San Diego and Rural Metro of San Diego, Inc., a wholly owned subsidiary of Rural Metro Corporation (a publicly traded corporation). The SDMSE governing board of managers is comprised of five members, three of whom are appointed by the City; currently one of the City appointments is vacant.

The maximum funds which the City is required to contribute to the costs of SDMSE operations are limited to an aggregate of $8,450 during the term of the third amended agreement. This aggregate includes a $650 annual subsidy and any other amounts to be paid to the City since 1997 under the original contract, and any losses the City is required to cover under the extended contract, excluding any amount the City contributes for Medicare fee reimbursements. Cumulatively, the City has paid annual subsidies totaling $5,700 as of June 30, 2009. Effective in fiscal year 2006, the City was no longer required to pay the $650 annual subsidy and the Medicare fee reimbursements shall not exceed $250 per fiscal year. Net assets of SDMSE are pro-rated to each partner based on a 50/50 split. In accordance with the operating agreement, profit and loss for each fiscal year is allocated equally to the members, subject to an aggregate limitation on loss to the City of $8,450 (equal to the amount of subsidies discussed above). For the fiscal year ended June 30, 2009, SDMSE reported a net income of $3,185, a member distribution of $3,500, and ending net assets of $3,647.

Under the terms of an operating agreement between Rural/Metro of San Diego, Inc. and SDMSE, Rural/Metro of San Diego, Inc. has made available a line-of-credit in the initial amount of $3,500 bearing an interest rate of 9.5%. SDMSE did not have an outstanding balance, nor did it borrow on the line-of-credit at June 30, 2009.

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

San Diego Workforce Partnership

The City of San Diego and the County of San Diego jointly govern the San Diego Workforce Partnership (Consortium). The Consortium's Board of Directors consists of two members of the City Council, two members from the County Board of Supervisors, and one member of a charitable organization. The purpose of the Consortium is to provide regional employment and training services in order to develop and create job opportunities throughout San Diego County. The Consortium is empowered to make applications for and receive grants from governmental or private sources. The City does not appoint a majority of the 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 handle, the City and the County have agreed to share in the payment of those obligations.

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

San Diego Geographic Information Source (SanGIS)

SanGIS was created in July 1997 as a joint powers agreement between the City of San Diego and the County of San Diego. SanGIS objectives are: to create and maintain a geographic information system; to market and license digital geographic data and software; to provide technical services; and to publish geographical and land-related information.

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

10. LEASE COMMITMENTS (In Thousands)

The City leases various properties and equipment. Leased property having elements of ownership are recorded as capital leases and reported as capital assets in the government-wide financial statements, along with a corresponding capital lease obligation. Leased property that does not have elements of ownership is reported as an operating lease and is expensed when paid.

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, 2009:

Year Ended June 30		Amount
2010	$	12,642
2011		12,122
2012		12,332
2013		12,189
2014		7,617
2015-2019		4,818
2020-2024		245
Total	$	61,965

Rent expense as related to operating leases was $12,719 for the year ended June 30, 2009.

Capital Leases

The City has entered into various capital leases for equipment and structures. These capital leases have maturity dates ranging from August 1, 2008 through October 1, 2023, and interest rates ranging from 2.63% to 7.94%. A schedule of future minimum lease payments under capital leases as of June 30, 2009 is provided in Notes 5 and 6. The value of all capital leased assets as of June 30, 2009 for governmental assets is $109,792 net of accumulated depreciation of $58,551, and business-type assets of $1,357, net of accumulated depreciation of $9,684. These amounts are categorized by major asset class in the table below.

		Gross Value		Depreciation		Net Book Value
Governmental						
Equipment	$	134,184	$	(56,708)	$	77,476
Structures & Improvement		4,889		(1,843)		3,046
Construction in Progress		29,270		-		29,270
Total Governmental	$	168,343	$	(58,551)	$	109,792
Business-Type						
Equipment	$	11,041	$	(9,684)	$	1,357
Total Business-Type	$	11,041	$	(9,684)	$	1,357

Lease Revenues

The City has operating leases for certain land, buildings, and facilities with tenants and concessionaires. Leased capital asset carrying values of approximately $76,591, as well as depreciation, are reported in Note 4 and are consolidated with non-leased assets. Minimum annual lease revenues are reported in the following schedule:

Year Ended June 30	Amount
2010	$ 33,813
2011	33,027
2012	32,128
2013	30,975
2014	30,062
2015-2019	138,749
2020-2024	124,203
2025-2029	118,584
2030-2034	110,230
2035-2039	100,732
2040-2044	93,506
2045-2049	66,178
2050-2054	12,334
2055-2059	4,840
2060-2064	1,100
Total	$ 930,461

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 $81,301 for the year ended June 30, 2009, which includes contingent rentals of $46,748.

11. DEFERRED COMPENSATION PLAN (In Thousands)

The City, San Diego Convention Center Corporation (SDCCC), San Diego Data Processing Corporation (SDDPC), and San Diego Housing Commission (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, available to eligible employees, permit them 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 of San Diego's financial reporting entity.

12. PENSION PLANS (In Thousands)

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

DEFINED BENEFIT PLAN

a. **Plan Description**

San Diego City Employees' Retirement System ("SDCERS"), as authorized by Article IX of the City Charter, is a public employee retirement system established in fiscal year 1927 by the City. SDCERS administers independent, qualified, single employer governmental defined benefit plans and trusts for the City, the Port of San Diego (the "Port"), and the San Diego County Regional Airport Authority (the "Airport"). As of July 1, 2007, the assets of the three separate plans and trusts are pooled in the SDCERS Group Trust. These plans are administered by the SDCERS Board (the "Board") to provide retirement, disability, death and survivor benefits for its members. Amendments to the City's benefit provisions require City Council approval as well as a majority vote by members. As of January 1, 2007, benefit increases also require a majority vote of the public. All approved benefit changes are codified in the City's Municipal Code.

The plans cover all eligible employees of the City, the Port, and the Airport. All City employees working half-time or greater and full-time employees of the Port and the Airport are eligible for membership and are required to join SDCERS. The Port and Airport are not component units of the City CAFR per GASB 14; however, the financial statements of SDCERS Pension trust do include the Port and Airport activity and are reported in the trust and agency section of the CAFR. The information disclosed in this note however, relates solely to the City's participation in SDCERS. City employment classes participating in the Plan are elected officers, general and safety (including police, fire and lifeguard members). These classes are represented by various unions depending on the type and nature of work performed, except for elected officials, unclassified and unrepresented employees.

City of San Diego Plan Membership as of June 30, 2009 (actual member count)

	General	Safety	Total by Classification
Active Members	5,825	2,449	8,274
Terminated Members	2,298	528	2,826
Retirees, Disabled and Beneficiaries	4,428	2,943	7,371
Total Members, as of June 30, 2009	12,551	5,920	18,471

Source: SDCERS' CAFR as of June 30, 2009

As a defined benefit Plan, retirement benefits are determined primarily by a member's class, age at retirement, number of years of creditable service, and the member's final compensation based on the highest salary earned over a consecutive one-year period. The Plan provides cost of living adjustments of 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. The Plan requires ten years of service at age 62, 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, to vest for a benefit. Typically, retirement benefits are awarded at a rate of 2.5%

of the employee's one-year high annual salary per year of service at age 55 for general members, and 3% for Safety members starting at the age of 50. The actual percentage of final average salary 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. General Plan percentage of final average salary per year served is a maximum of 2.8% for general members and 3% for safety members.

On July 28, 2008, the City Council approved R-303977 which presents modified defined contribution and defined benefit Plans for all non-safety City employees hired on or after July 1, 2009 (these changes were subsequently codified into the Municipal Code on June 25, 2009 with Council's approval of O-19874). The new defined benefit Plan includes modified percentages used to determine annual retirement allowance (depending on employees' age at retirement), a pensionable salary calculation used to determine retirement allowances based on a 3-year average, and a maximum annual retiree benefit of 80% of employees' pensionable salary. Additionally, the new defined contribution Plan includes mandatory employee contributions to SPSP (as well as City match) of 1% and the introduction of mandatory employee contribution to a retiree medical trust Plan (as well as City match) of 0.25%. See SDMC Section 24.04 for additional information.

Deferred Retirement Option Program (DROP)

The City also has a Deferred Retirement Option Program (DROP) where participants continue to work for the City and receive a regular paycheck. SDCERS' members electing to participate in DROP must agree to participate in the program for a specific period, up to a maximum of five years. A DROP participant must agree to end employment with the City on or before the end of the selected DROP participation period. A SDCERS member's decision to enter DROP is irrevocable.

Upon entering the program, the DROP participant stops making contributions to SDCERS and stops earning creditable service. Instead, amounts equivalent to the participant's retirement benefit plus earnings and additional contributions are credited to an interest bearing individual account held in the participant's name. On November 21, 2008, the SDCERS Board changed the DROP interest credit rate to 7.75% from 8% to mirror the newly adopted investment return assumption adopted by the Board on September 19, 2008. On February 20, 2009 the Board changed the DROP interest rate again. Effective July 1, 2009, DROP participation interest will be 3.54% and DROP annuity interest will be 5.0%. The DROP benefit is the value of a DROP participant's account at the end of the DROP participation period. Participants select the form of the distribution of the DROP account when they leave employment and begin retirement. The distribution is made as a single lump sum or in 240 equal monthly payments, or as otherwise allowed by applicable provisions of the Internal Revenue Code. Outstanding liabilities for DROP are shown on the Statement of Fiduciary Net Assets in the basic financial statements. During the period of participation, the participant continues to receive most of the employer offered benefits available to regular employees with exception to earning creditable service, as previously discussed.

SDCERS' members who were hired on or after July 1, 2005 are ineligible to participate in the DROP program due to the benefit changes negotiated with the July 1, 2005 Memoranda of Understanding (MOU). However, SDCERS has asserted that due to delays in codification of benefit changes into the Municipal Code, the effective cut off date would instead be February 16, 2007, which is when the Ordinance O-19567 was officially codified in the Municipal Code. As of the issuance of this report, there has been no change in the status of this case [refer to Note 18 for additional information]. Notwithstanding amendments to the municipal code, SDCERS' members who were hired prior to July 1, 2005 are eligible to participate in DROP when they are eligible for a service retirement.

Purchase of Service Credits

Article 4 Division 13 of the City's Municipal Code allows Plan members to purchase years of Creditable Service for use in determining retirement allowances. To purchase Creditable Service, a Member must elect to pay and thereafter pay, in accordance with such election before retirement, into the Retirement Fund an amount, including interest, determined by the Board. No Member will receive Creditable Service under this Division for any service for which payment has not been completed pursuant to this Division before the effective date of the Member's retirement. After review of the purchase of service program, SDCERS' actuary concluded that the service credit pricing structure that was in place prior to November 2003 did not reflect the full cost in the price then charged to SDCERS members. The pricing shortfall of approximately $146,000, which is included in the Unfunded Actuarial Accrued Liability (UAAL), is reported in this note as of the most recent valuation date and in the RSI of these financial statements for the two years prior to the most recent valuation date. On November 13, 2008, a court ruling stated that the Board's decision to amortize the underpaid purchase of service credits, for certain employees who had yet to retire as of November 20, 2007, through the City's existing unfunded actuarial liability is unlawful and contrary to the Municipal Code and City Charter. Judgment was entered in favor of the City on December 12, 2008 which finalized the November 13, 2008 ruling. However, SDCERS submitted an appeal to this ruling which is currently pending. The amount of the potential benefit to the City is not known as of the issuance of this report. Additionally, the service credit pricing structure used after November 2003 does cover the full projected cost to the System when members purchased the service credits.

SDCERS' members who were hired on or after July 1, 2005 are ineligible to participate in the Purchase of Service Credit program due to the benefit changes negotiated with the July 1, 2005 MOU. However, SDCERS has asserted that due to delays in codification of benefit changes into the municipal code, the effective cut off date would instead be February 16, 2007, which is when the Ordinance O-19567 was officially codified in the Municipal Code. As of the issuance of this report, there has been no change in the status of this case [refer to Note 18 for additional information]. Notwithstanding amendments to the municipal code, SDCERS' members who were hired prior to July 1, 2005 are eligible to participate the Purchase of Service Credit Program at the full cost to the participant.

Corbett Settlement Benefits and Retirement Factors

In 1998, a lawsuit was filed by retired employees who alleged that the City's definition of compensation subject to the computation of retirement benefits improperly excluded the value of certain earnings. The City and SDCERS settled in May of 2000, which is known as the Corbett Settlement. This settlement provided for a flat increase of 7% in benefits payable to eligible members who retired prior to July 1, 2000, payable annually. The settlement also provided a 10% benefit increase and allows for two options in calculating the service retirement allowance for employees active at the time of the settlement and who joined the Retirement System before July 1, 2000 and who retired after July 1, 2000.

The options for calculating the service retirement allowance are outlined in the San Diego Municipal Code sections 24.0402 and 24.0403 which can be obtained at City of San Diego City Clerks Office 202 C Street, San Diego, CA 92101 or online at www.sandiego.gov.

On July 1, 2002, the City Council increased the retirement factors used for calculating retirement allowances; this action was related to MP-2 (as discussed later in this note). As a result of the Corbett Settlement and other benefit actions taken by the City Council, the service retirement factors for general members (non-safety and non-legislative) range from 2.0% at age 55 to 2.8% at age 65. The service retirement factors for Safety Members (Fire, Police and Lifeguard) range from 2.2% at age 50 to 3.0% at age 50 depending on the Corbett Settlement option selected. Finally, the City also maintains an Elected Officer's Retirement Plan where members are eligible to receive 3.5% of their final average salary per year of creditable service. Depending on the number of years of service, participants of the Elected Officer's Retirement Plan can retire earlier than the age of 55; however, their retirement allowance is reduced by 2.0% for each year under the age of 55.

Preservation of Benefit Arrangement

On March 19, 2001, the City Council adopted Ordinance O-18930, adding SDMC sections 24.1601 through 24.1608, establishing the Preservation of Benefit (POB) arrangement. The POB arrangement is a qualified governmental excess benefit arrangement (QEBA) under Internal Revenue Code (IRC) section 415(m), which was created by Congress to allow the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). On October 28, 2008, the IRS issued a private letter ruling to SDCERS approving the qualified status of the QEBA. No additional payments or repayments are required as a result of the Compliance Statement. As provided in SDMC section 24.1606 and required by federal tax law, the POB arrangement is unfunded within the meaning of the federal tax laws. The City may not pre-fund the POB arrangement 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. As of issuance of this report, actuarial liabilities related to retired member benefits that exceeded §415 limits are included in the RSI for the City's core pension Plan for valuation years up to and including fiscal year 2005. In the fiscal year 2006 actuarial valuation, the estimated actuarial accrued liability related to excess benefits for eligible active members of the system, amounting to approximately $22,800, was removed from the Plan's Actuarial Liabilities (this liability is estimated to be approximately $30,400 in the fiscal year 2007 actuarial valuation). Additionally, the liability for retired members of the POB arrangement, amounting to approximately $6,400, has been excluded from the fiscal year 2007 actuarial valuation. Estimates related to the actuarial liability for benefits that exceed IRS §415 limits were calculated using actuarial assumptions consistent with those used to perform actuarial valuations for the City's core pension Plan and also pursuant to the Compliance Statement, dated December 20, 2007, and Tax Determination Letter provided by the IRS during Voluntary Correction Program discussions.

In Fiscal Year 2009, approximately $1,300 in benefits were paid by the City for the POB arrangement. The number of participants in any given year for the POB arrangement is determined by the number of Plan participants who exceed the current year's IRS §415(b) limitations as calculated by SDCERS' actuary. The maximum annual payment for the calendar year 2009 was $195 and is adjusted downward depending on the age of the participant when benefits began. In fiscal year 2009, the City's ARC was approximately $4,004; however, the City contributed approximately $1,210 to the POB arrangement, and therefore, the remaining $2,794, which represents future liabilities, is included in the City's Net Pension Obligation (NPO). According to the valuation for the fiscal year ended June 30, 2009, the AAL related to the POB arrangement is approximately $7,400, all of which is unfunded. Additionally, financial statements for the Preservation of Benefits arrangement are included in the Trust & Agency section of this report.

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

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

Method Used to Value Investments - SDCERS investments are stated at fair value. The SDCERS custodial agent provides market values of invested assets with the exception of the fair value of directly owned real estate assets which are provided by the responsible investment manager and independent third party appraisal firms. Investment income is recognized in accordance with GASB 25 and is stated net of investment management fees and related expenses.

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

Funding Contracts: Union Agreements

The City has historically picked up a portion of the employee's retirement contributions. The fiscal year 2006 MOUs and the changes to current and future employee benefits therein were introduced to the City Council in June 2005, and the changes in benefit eligibility were approved by Council Resolution 300600.

The agreement in the MOUs (agreements with the police union were not reached) was to reduce the amount of individual employees' pension contributions which are paid for by the City, effective fiscal year 2006. The agreements with labor unions resulted in the reduction of City offset of the employee pension contribution by 3% for the Municipal Employees' Association (MEA), the International Association of Fire Fighters Local 145, and the Deputy City Attorney Association (DCAA) and a unilaterally imposed reduction of 3.2% for the San Diego Police Officers Association (POA). In addition, the American Federation of State and County Municipal Employees (AFSCME) Local 127 negotiated a 1.9% salary reduction in lieu of a City "pick up" contribution reduction and a benefit freeze.

The agreements with the bargaining units explicitly indicate that savings to the City must be used to help address its UAAL within the timeframe of the respective contracts. The labor contract with Local 127 states that "By June 30, 2008, if the City has not dedicated a total of $600,000,000 or more to the UAAL reduction, including the amount received by leveraging employee salary reduction and pension contribution monies, the AFSCME salary reduction monies with interest will revert to SDCERS Employee Contribution Rate Reserve for benefit of Local 127 unit members to defray employee pension contributions."

Upon the conclusion of the fiscal year ended June 30, 2008, the City had contributed approximately $143,300 through contributions in excess of the ARC for fiscal years 2006 through 2008, and therefore, was not able to meet the outstanding commitment in its entirety. As such, the City reached agreements with both MEA and Local 127. The MEA settlement required the City to return prior year savings to MEA members of approximately $6,078 and eliminated 2% of the employee pick-up. The Local 127 settlement required the City to return prior year savings to Local 127 members of approximately $4,786 as well as eliminate the 1.9% salary reduction.

Funding Commitments Related to Legal Settlements

The City employer contributions for fiscal years 1996 – 2003 were not based on the full actuarial rates. Instead, employer contributions were less than the full actuarial rates in accordance with agreements between the City and SDCERS, commonly referred to as Manager's Proposal 1 (MP-1) and Manager's Proposal 2 (MP-2). In September 2006, the City entered into a settlement of McGuigan v. City of San Diego (the "McGuigan Settlement") related to the underfunding by the City of the pension system. Under the McGuigan Settlement, the City is obligated to pay into SDCERS $173,000 no later than June 8, 2011. An additional requirement of the McGuigan Settlement is that the City provides SDCERS real property collateral totaling $100,000 (Non-Depreciable Capital Assets – Land). These amounts are to be returned upon the full payment of the settlement. The City provided the real property collateral at the time of the settlement; subsequently, the City provided a cumulative amount of approximately $144,000[1] of additional payments to SDCERS in an attempt to meet the terms of the McGuigan Settlement. This leaves an outstanding obligation resulting from the McGuigan Settlement of approximately $35,722, including interest as of June 30, 2009. The McGuigan Settlement was partially funded through the securitization of future tobacco revenue, transfers of actual tobacco revenue receipts, additional employee "pick up" savings, and City contributions made in addition to the ARC.

d. **Funding Policy and Contribution Rates**

City Charter Article IX Section 143 requires employees and employers to contribute to the retirement Plan. The Charter section, which was amended in fiscal year 2005, 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 retirement Plan. The Charter requires that employer contributions be substantially equal to employee contributions (SDCERS' legal counsel has opined that this requirement applies to the normal cost contribution only). Pursuant to the Charter, City employer contribution rates, adjusted for payment at the beginning of the year, are actuarially determined rates and are expressed as a fixed annual required contribution as well as percentages of annual covered payroll. The entire expense of SDCERS' administration is charged against the earnings and Plan assets of SDCERS.

The following table shows the City's contribution rates (weighted average of each employee group) for fiscal year 2009, based on the valuation ended June 30, 2007, expressed as percentages of active payroll:

	Employer Contribution Rates	
	General Members	Safety Members
Normal Cost*	9.89%	18.41%
Amortization Payment*	13.86%	24.23%
Normal Cost Adjusted for Amortization Payment*	23.75%	42.64%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	22.85%	41.03%

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

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

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

Members are required to contribute a percentage of their annual salary to the Plan on a biweekly basis. Rates vary according to entry age. For fiscal year 2009, the City employee contribution rates as a percentage of annual covered payroll averaged 10.06% for general members and 12.69% for safety members. A portion of the employee's share, depending on the employee's member class, is paid by the City (commonly referred to as the Employee Offset). In fiscal year 2009, the amount paid by the City ranges from 1.4% to 5.89% of covered payroll for general members and the rate for safety Plan members ranges from 2.4% to 4.3%. Employee contributions paid by the City, amounting to approximately $20,317 in fiscal year 2009, are made from the City's operating budget. The amount paid on behalf of the employees has been renegotiated through the meet and confer process which ultimately reduced the amount of the employee contribution paid by the City.

[1] This amount includes a contribution in addition to the ARC of approximately $700 in fiscal year 2009.

On September 2, 2008, Council approved O-19781 which amended Chapter 2, Article 4, Division 15 of the San Diego Municipal Code. The intent of the amendment was to eliminate the concept of "Surplus Earnings" (earnings in excess of those earned using the assumed actuarial rate of return) which was the historical term for the funds used to pay for supplemental and contingent benefits. In accordance with these revised SDMC sections, annual distributions of these benefits are paid from Plan assets and take place in priority order. The Plan assets are distributed to various SDCERS system reserves, SDCERS budget, and contingent benefits. The order of distribution and a more detailed discussion of each distribution follows: First, Plan assets are used to credit interest, at a rate determined by the SDCERS Board, which is currently 7.75%, to the Employer and Employee Contribution Reserves and 3.54% to DROP member accounts. Second, Plan assets are used to fund the SDCERS Annual Budget. Third, Plan assets are distributed for supplemental or contingent payments or transfers to reserves. These items include in a priority order: 1) Annual Supplement Benefit Payment ("13th Check") paid to retirees generally equal to approximately $30 (whole dollars) times the number of years of employment. 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 ("COLA").

e. **Funded Status and Funding Progress**

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

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)
6/30/2008	$ 4,660,346	$ 5,963,550	$ 1,303,204	78.15%	$ 535,774	243.24%

The actuarial assumptions used for the fiscal year 2008 valuation include an Entry Age Normal actuarial funding method, an Expected Value of Assets smoothing method, a UAL that is amortized over several different periods, a 7.75% earnings assumption, a 4.0% projected salary increase rate with an additional merit component based on member class and years of service, a 2% annual cost-of-living adjustment and a 4% inflation rate. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

Annual Pension Costs

Beginning with the valuation dated June 30, 2007, the normal cost (i.e. the actuarial present value of pension Plan benefits allocated to the current year) and the UAAL amortization cost (i.e. the portion of the pension Plan payment designed to amortize the UAAL) were determined using the Entry Age Normal (EAN) actuarial cost method (as opposed to the previously used Projected Unit Credit method), the result of which caused the UAAL used in the determination of the fiscal year 2009 ARC to increase by approximately $252,200. The following are the principal actuarial assumptions used for the fiscal year 2007 valuation (additional assumptions were used regarding a variety of other factors):

a) An 8.0% investment rate of return, net of administrative expenses.**

b) Projected salary increases of at least 4.25% per year.**

c) An assumed annual cost-of-living adjustment that is generally 2% per annum and compounded. In addition, there is a closed group of special safety officers whose annual adjustment is equal to inflation (4.25% per year).

**Both (a) and (b) included an inflation rate of 4.25%.

The actuarial value of assets was determined using a methodology that smoothes the effects of short-term volatility in the market value of investments over a five-year period. In fiscal year 2007, the SDCERS Board approved a different asset smoothing method by marking the actuarial value of assets to market value in the fiscal year 2006 actuarial valuation, the result of which caused the UAAL to decrease by approximately $183,800. The method used by the actuary in fiscal year 2005 was not a commonly used method. The expected actuarial value asset smoothing method commenced with the fiscal year 2007 valuation. Additionally, pursuant to the Gleason Settlement, the UAAL was being amortized over a fixed 30-year closed period for the fiscal years 2006, 2007, and 2008. However, for valuations effective June 30 2007, SDCERS' Board of Administration decided to use a 20-year closed amortization schedule with no negative amortization.

The following table shows the City's annual pension cost ("APC") and the percentage of APC contributed for the fiscal year ended June 30, 2009 and two preceding years (in thousands):

Fiscal Year Ended June 30	APC	Percentage Contributed	Net Pension Obligation
2007	$ 169,762	99.63%	$ 195,356
2008	145,077	114.82%	173,852
2009	167,529	97.66%	177,767

Net Pension Obligation

Net Pension Obligation (NPO) is the cumulative difference, since the effective date of GASB 27 (fiscal year 1998, with a 10-year look back), between the annual pension cost and the employer's contributions to the Plan. This includes the pension liability at transition (beginning pension liability) and excludes short term differences and unpaid contributions that have been converted to pension-related debt. As of June 30, 2009, the City's NPO is approximately $177,767 and is reported in accordance with GASB 27. See table above.

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

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

ARC [Fiscal Year 2009]	$	165,704
Interest on NPO		13,895
ARC Adjustment		(12,070)
Annual Pension Cost		167,529
Contributions [Fiscal Year 2009]		(163,614)
Change in NPO		3,915
NPO Beginning of Year [July 1, 2008]		173,852
NPO End of Year [June 30, 2009]	$	177,767

Components of the NPO and actions taken to address the Pension Liability

Multiple components have contributed to the City's NPO dating back to fiscal year 1988, including the use of pension assets to pay for costs related to retiree healthcare and employee contribution offset liabilities. Additionally, benefit increases resulting from the Corbett Settlement, which were initially considered contingent, were excluded from the actuarially determined ARC and the City's contributions for the fiscal years 1996-2003 were less than the ARC as a result of MP-1 and MP-2.

As part of the agreements with the labor unions, several benefits were altered or eliminated for all employees hired on or after July 1, 2005, including the Deferred Retirement Option Plan (DROP), the 13th Check, the option to purchase years of service credits ("air-time"), and retiree healthcare benefits; however, the retirement formula generally remains 2.5% at 55 for general members and 3.0% at 50 for safety members.

DEFINED CONTRIBUTION PLANS

a. **<u>Supplemental Pension Savings Plan - City</u>**

Pursuant to the City's withdrawal from the Federal Social Security System effective January 8, 1982, the City established the Supplemental Pension Savings Plan ("SPSP"). Pursuant to the Federal Government's mandate of a Social Security Medicare tax for all employees not covered by Social Security hired on or after April 1, 1986, the City established the Supplemental Pension Savings Plan-Medicare ("SPSP-M"). The SPSP and SPSP-M Plans were merged into a single plan ("SPSP") on November 12, 2004 for administrative simplification, without a change in benefits. Pursuant to the requirements of the Omnibus Budget Reconciliation Act of 1990 ("OBRA-90") requiring employee coverage under a retirement system in lieu of coverage under the Federal Insurance Contributions Act ("FICA") effective July 1, 1991, the City established the Supplemental Pension Savings Plan-Hourly ("SPSP-H"). These supplemental plans are defined contribution plans administered by Wachovia Corporation 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 retirement members and lifeguard members of the City's safety retirement members participate in the plan. Eligible employees may participate from the date of employment.

The following table details plan participation as of June 30, 2009:

Plan	Participants
SPSP	8,323
SPSP – H	4,355

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

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

In fiscal year 2009, the City and the covered employees contributed approximately $23,746 and $22,643, respectively. As of June 30, 2009, the fair value of plan assets totaled approximately $489,344. SPSP is considered part of the City of San Diego's financial reporting entity and is reported as a pension and employee savings trust fund.

b. **401(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 Wachovia Corporation to provide pension benefits for eligible employees. Employees are eligible to participate from date of employment. Employees make contributions to their 401(k) Plan accounts through payroll deductions, and may also elect to contribute to their 401(k) account through the City's Employees' Flexible Benefits Program.

The employees' 401(k) contributions are based on IRS calendar year limits. Employees contributed approximately $22,246 during the fiscal year ended June 30, 2009. There is no City contribution towards the 401(k) Plan.

As of June 30, 2009, the fair value of plan assets totaled approximately $220,022. The 401(k) Plan is considered part of the City's financial reporting entity and is reported as a pension and employee savings trust fund.

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

CCDC has a Money Purchase Pension Plan covering all full-time permanent employees (the "CCDC Plan"). The CCDC Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each year, CCDC contributes semi-monthly an amount equal to 8% of the total quarterly compensation for all employees. CCDC's contributions for each employee are fully vested after six years of continuous service. CCDC's total payroll (excluding benefits) in fiscal year 2009 was approximately $3,964. CCDC contributions were calculated using the base salary amount of approximately $3,784. CCDC made the required 8% contribution amounting to approximately $278 (net of forfeitures) for fiscal year 2009.

In addition, CCDC has a Tax Deferred Annuity Plan covering all full-time permanent employees. The CCDC Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the plan by the employer and the employees, plus investment earnings. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each plan year, CCDC contributes semi-monthly an amount equal to 16% of the total semi-monthly compensation for eligible employees. CCDC's contributions for each employee are fully vested at time of contribution. The Tax Deferred Annuity Plan includes amounts deposited by employees prior to CCDC becoming a contributor to the CCDC Plan. CCDC made the required 16% contribution amounting to approximately $610 for fiscal year 2009.

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

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

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

A plan year is defined as a calendar year. SDCCC's balance for each eligible employee is vested gradually over five years of continuing service with an eligible employee becoming fully vested after five years. Forfeitures and SDCCC Plan expenses are allocated in accordance with Plan provisions. A trustee bank holds the SDCCC Plan assets. The City does not act in a trustee or agency capacity for the SDCCC plan; therefore, these assets are not reported within the City's basic financial statements.

For the year ended June 30, 2009, pension expenditures for the SDCCC Plan amounted to $1,378. SDCCC records pension expenditures during the fiscal year based upon estimated covered compensation.

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

SDDPC administers a Money Purchase Pension Plan (the "SDDPC Plan") covering substantially all employees. The SDDPC Plan is a defined contribution plan, wherein benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. During each plan year, SDDPC contributes monthly an amount equal to 20% of the total monthly compensation for all employees. SDDPC contributions for each employee are fully vested after four years of continuing service. The City does not act in a trustee or agency capacity for the SDDPC Plan; therefore, these assets are not reported within the City's basic financial statements. In fiscal year 2009, SDDPC made the required 20% contribution, amounting to approximately $4,023.

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

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

SDHC provides pension benefits for all its full-time employees through a defined contribution plan (the "SDHC Plan"). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of their employment. SDHC's contributions for each employee (and interest allocated to the employee's account) are fully vested after four years of continuous service. SDHC's contributions for, and interest forfeited by, employees who leave employment before four years of service are used to reduce the SDHC's current-period contribution requirement. SDHC's covered payroll in fiscal year 2009 was approximately $12,166. SDHC made the required 14% contribution, amounting to approximately $1,703 and plan members contributed $67 for fiscal year 2009. 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.

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

SEDC has a 403(b) Tax Sheltered Annuity Plan (Defined Contribution Plan) covering all full-time permanent employees (the "SEDC Plan"). The first six months of the current fiscal year, July 1, 2008 to December 31, 2008, the plan was administered by James Kerr & Associates, Inc with Morgan Stanley Dean Witter as the investment advisor. Under this plan, SEDC contributed a monthly amount equal to 12% of the employees' base salary, or 15% of management employees' base salary. This plan terminated on December 31, 2008. All assets of the plan were transferred to a new 403(b) Tax Sheltered Annuity Plan, effective January 1, 2009. This plan is currently administered by VLP Corporate Services, LLP with Merrill Lynch as the investment advisor. Employees are eligible on their date of employment, and SEDC contributes an amount equal to 12% of all employees' salaries. SEDC's total payroll in fiscal year 2009 was approximately $813 and SEDC made the required 403(b) contribution totaling $96 for fiscal year 2009. SEDC Plan members contributed an additional $14.

13. OTHER POSTEMPLOYMENT BENEFITS (In Thousands)

a. Plan Description

The City provides postemployment healthcare benefits to qualifying general, safety and legislative members, as provided for in San Diego Municipal Code (SDMC) Sections 24.1201 through 24.1204. The Other Postemployment Benefit Plan (the "OPEB Plan") is a single-employer plan, administered by SDCERS, and includes approximately 5,400[1] retirees, 8,900[1] active employees and 600[1] terminated vested members as of June 30, 2009. Postemployment healthcare benefits are primarily for health eligible retirees who were actively employed on or after October 5, 1980 and were otherwise entitled to retirement allowances. 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. In fiscal year 2009, health eligible retirees who were also eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, limited to approximately $8.4 per year, in addition to reimbursement/payment for Medicare Part B premiums, limited to approximately $1.2 per year. Health eligible retirees who are not eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, limited to approximately $8.9 per year. 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 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 $1.2 per year. Reimbursements for non-health eligible retirees are not subject to annual adjustments.

As of July 1, 2005, the City's postemployment healthcare benefit plan is closed to new entrants. However, SDCERS has asserted that due to delays in codification of benefit changes into the Municipal Code, the effective cut off date would instead be February 16, 2007, which is when the Ordinance O-19567 was officially codified in the Municipal Code. As of the issuance of this report, there has been no change in the status of this case [refer to Note 18 for additional information].

Effective July 1, 2009, the City has agreed to establish a trust vehicle for a defined contribution plan to fund retiree medical benefits for employees who are excluded from the current plan. This defined contribution plan requires a mandatory employee contribution of 0.25% of gross salary with a corresponding 0.25% match by the City. Legislative and Safety members are ineligible for this plan. Additionally, as part of the agreements with the labor unions, the new definition of "health-eligible retiree" states that employees must have 10 years of service with the City to receive 100% of the retiree health benefit and five years of service to receive 50% of the retiree health benefit.

b. Summary of Significant Accounting Policies

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

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

[1] Reported as a whole number.

c. Contributions and Reserves

In accordance with SDMC Section 24.1204, postemployment healthcare benefits are to be paid by the City, directly, from any source available to it other than the Pension Plan. Members of the OPEB Plan do not have contribution requirements related to their own coverage; however, retirees are required to pay for the benefits of their beneficiaries (amounts vary based on coverage elections). In fiscal year 2009, the City contributed $25,587 to the Post-Employment Healthcare Benefit Plan, which is administered by SDCERS.

In addition to current retirees and beneficiaries, the OPEB Plan includes active and terminated vested members, and therefore, the City also pre-funds future expenses related to postemployment healthcare benefits through an investment trust administered by CalPERS. The CalPERS Employers Retirement Benefits Trust (CERBT) requires the City to pre-fund in an amount not less than $5 annually. An ARC for the OPEB Plan is calculated by the City's actuary on an annual basis. City management plans to continue funding current year postemployment healthcare benefits from the pay-as-you-go trust established with SDCERS until the City is able to pay the ARC in full. Additionally, City management intends to pre-fund the CERBT with up to $25,000 on an annual basis, which is also outlined in the City's Five Year Financial Outlook. All contributions to the CERBT become trust assets.

The City contributed approximately $23,911 to the CERBT in fiscal year 2009. As of June 30, 2009, the balance in the CERBT was approximately $41,497. This balance is inclusive of all contributions to the plan as well as investment losses and administrative expenses amounting to approximately $12,499 and $45, respectively.

d. Funded Status and Funding Progress

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

Schedule of Funded Status

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/09	$ 41,497	$ 1,359,377	$ 1,317,880	3.05%	$ 549,012	240.05%

The schedules presented as required supplementary information following the notes to the financial statements present information regarding the funding status and employer contributions for the current and preceding fiscal years. The Schedule of Funding Progress is intended to present information about whether the actuarial values of plan assets are 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 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation. Additionally, actuarial calculations reflect a long-term perspective and include methods and assumptions that are designed to reduce short-term volatility of actuarial accrued liabilities and the actuarial value of assets. The following table summarizes the more significant actuarial methods and assumptions used to calculate the ARC for the fiscal year 2009 (actuarial valuation for the fiscal year ended June 30, 2007) as well as for the most current actuarial valuation (ended June 30, 2009):

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

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

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

Source: Buck Consultants

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

The following table presents the annual OPEB cost, the percentage of annual OPEB cost contributed during the fiscal year, and the net OPEB obligation at the end of fiscal year 2009 as well as for the preceding fiscal year:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
06/30/08	$ 91,346	58.63%	$ 37,793
06/30/09	105,583	46.88%	93,878

As the administrator of the OPEB Plan, the City implemented GASB Statements 43 and 45 in fiscal year 2008 and elected to report a zero net OPEB obligation at the beginning of the transition year. The following table shows the calculation of the City's net OPEB obligation of the OPEB Plan for the fiscal year ended June 30, 2009 (based on the valuation ended June 30, 2007):

ARC [Fiscal Year 2009]	$ 104,475
Interest on NOPEBO	2,548
ARC Adjustment	(1,440)
Annual OPEB Cost	105,583
Contributions [Fiscal Year 2009]	(49,498)
Change in NOPEBO	56,085
NOPEBO Beginning of Year [July 1, 2008]	37,793
NOPEBO End of Year [June 30, 2009]	$ 93,878

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

Interfund Working Capital Advance (WCA) balances are the result of loans between funds that are expected to be repaid in excess of one year. The majority of the advances, approximately $7,359, are advances from the Housing and Urban Development (HUD) Section 108 grant funds to RDA. Interfund WCA balances at June 30, 2009 are as follows:

Contributing Fund (Receivable)	Benefitting Fund (Payable) NonMajor Governmental
NonMajor Governmental	$ 7,959

Interfund receivable and payable balances are the result of loans between funds that are expected to be repaid during the next fiscal year, as well as amounts due for services provided. $5,980 represents amounts owed to SDDPC for data processing services provided to the City but not paid for until July 2009, and $3,604 represents a deficit in the Subdivision Fund which is covered by Development Services. Interfund receivable/payable balances at June 30, 2009 are as follows:

	Benefitting Fund (Payable)						
Contributing Fund (Receivable)	General Fund	NonMajor Governmental	Internal Service	Sewer Utility	Water Utility	Nonmajor Enterprise	Total
General Fund	$ -	$ -	$ 1,500	$ -	$ -	$ -	$ 1,500
Nonmajor Governmental	-	-	26	-	-	-	26
Nonmajor Enterprise	-	3,604	5	-	-	-	3,609
Internal Service	2,095	2,389	281	510	558	147	5,980
Total	$ 2,095	$ 5,993	$ 1,812	$ 510	$ 558	$ 147	$ 11,115

The Sewer Utility Fund has an interfund loan receivable of $3,487, and the Black Mountain Ranch FBA Fund, a capital projects fund, has a corresponding interfund payable of $3,487 for advanced FBA project funding. The Sewer Fund agreed to finance the Carmel Valley Trunk Sewer project to facilitate earlier construction, of which a portion was deemed the responsibility of the Carmel Valley area developers and is intended to be reimbursed in fiscal year 2010 from FBA Fund assessment revenue.

PFFA issued pooled financing bonds, Series 2007 A and B for the purpose of making loans to RDA to be used for financing and refinancing redevelopment activities in the Southcrest, Central Imperial, and Mount Hope Redevelopment Project Areas. The PFFA debt service fund has an interfund loan receivable of $33,460 and the Redevelopment Agency Fund has an aggregate interfund loan payable of $33,460. Since these loans are between governmental funds, the interfund receivable and payable are eliminated through the government-wide conversion.

Interfund transfers result from the transfer of assets without the expectation of repayment. Transfers are most commonly used to (1) move revenues from the fund in which it is legally required to collect them into the fund which is legally required to expend them, including TOT, Storm Drain, and TransNet funds collected in said funds but legally spent within the General Fund, (2) utilize unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations, and (3) move tax revenues collected in the special revenue funds to capital projects and debt service funds to pay for the capital projects and debt service needs during the fiscal year.

Interfund transfer balances for the year ended June 30, 2009 are as follows:

	Benefiting Fund							
Contributing Fund	General Fund	Nonmajor Governmental	Sewer Utility	Water Utility	Nonmajor Enterprise	Internal Service	Governmental Capital Asset Transfers	Total
General Fund	$ -	$ 26,031	$ -	$ -	$ 2,196	$ 1,847	$ -	$ 30,074
Nonmajor Governmental	105,059	190,654	1,238	186	421	702	-	298,260
Sewer Utility	-	998	-	33	-	26	2,552	3,609
Water Utility	-	477	-	-	-	99	53	629
Nonmajor Enterprise	2,131	333	-	-	30	33	-	2,527
Internal Service	4,136	171	616	406	246	5	232	5,812
Governmental Capital Asset Transfers	-	-	-	3,257	-	3,174	-	6,431
Total	$ 111,326	$ 218,664	$ 1,854	$ 3,882	$ 2,893	$ 5,886	$ 2,837	$ 347,342

15. RISK MANAGEMENT (In Thousands)

The City is exposed to various risks of loss related to torts, including theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has established various self-insurance programs and maintains contracts with various insurance companies to manage excessive risks.

The City maintains an excess liability insurance policy in collaboration with a statewide joint powers authority risk pool, the California State Association of Counties-Excess Insurance Authority (CSAC-EIA) for amounts up to $50,000. The City's self-insurance retention amount is $4,000.

The City offers a cafeteria-style flexible benefits plan. For Municipal Employees' Association (MEA) and Local-127 represented employees, this plan requires employees to choose a health plan unless covered elsewhere, and also a life insurance plan. It also gives employees the option of obtaining dental insurance, vision insurance, or catastrophic care insurance. For all other employees, the benefits plan is the same, with the exception that $50 of City-paid life insurance is automatically provided outside of the flexible benefit credit. Employees can place remaining flexible benefit dollars into IRS qualified dental/medical/vision and childcare reimbursement accounts, into their 401(k), and/or take as cash.

The City is self-insured for workers' compensation and long-term disability (LTD). All operating funds of the City participate in both these programs and make payments to the Self Insurance Fund. Each fund contributes an amount equal to a specified rate multiplied by the gross salaries of the fund. These payments are treated as operating expenditures 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, 2009 are determined based on results of independent actuarial evaluations and include amounts for claims incurred but not reported and adjustment expenses. 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 Self Insurance Fund, Sewer Utility Fund, and Water Utility Fund.

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

	Public Liability	Workers' Comp & Long-Term Disability	Total
Balance, July 1, 2007	$ 104,244	$ 175,798	$ 280,042
Claims and Changes in Estimates	35,902	17,167	53,069
Claim Payments	(28,043)	(22,381)	(50,424)
Balance, June 30, 2008	112,103	170,584	282,687
Claims and Changes in Estimates	57,357	13,711	71,069
Claim Payments	(25,588)	(21,336)	(46,924)
Balance, June 30, 2009	$ 143,873	$ 162,959	$ 306,832

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

Earthquake coverage is provided for designated buildings/structures and 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 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 2009, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, the settlements have not exceeded insurance coverage.

See Contingencies, Note 18, for additional information.

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

Development Services (Enterprise) has a net deficit of approximately ($8,785), due to a drop in workload activity caused by the deteriorating economy. The department reduced their work force by 27 full time equivalents (FTE) in the three months prior to the end of fiscal year 2009, but the adjustment did not correct the structural deficit between revenues and expenditures. A user fee increase was approved by the City Council on October 27, 2009 per Resolution R-305326. Based upon the projected workload decline for the current fiscal year, the Development Services Department has reduced an additional 48 FTEs to correct the revenue/expenditure deficit. Further reductions will be made as required to respond to revenue deficits.

The Self Insurance Fund (Internal Service) has a net deficit of approximately ($164,372), which represents unfunded estimated claims and claim settlements related to Public Liability, Workers' Compensation, and Long-Term Disability. It is anticipated that individual claim settlements will be funded through future user charges, subsequent to the filing of a claim and prior to its settlement. In addition to user charges, in January 2008 the Mayor's office presented a five-year financial outlook to the City Council, including a proposal to fund the Self Insurance Fund. As part of this proposal, during fiscal year 2009, $10,000 was contributed to the Public Liability Fund and $5,000 to the Workers' Compensation Fund. On November 13, 2007, the City Council also approved the formal City Reserve Policy. This policy contains a "Risk Management Reserve Policy" for the self insurance funds. Both the Public Liability and Worker's Compensation funds shall maintain dedicated reserves equal to 50% of the outstanding claims. This is to be achieved no later than fiscal year 2014. However, due to the continued decline in the economy, and a reduction in General Fund revenues, the City may reassess this reserve policy during fiscal year 2010. The Long-Term Disability fund reserve was set to be $12,000 by fiscal year 2012 as recommended in the actuarial valuation report.

Publishing Services (Internal Service) has a net deficit of ($674), due to a decline in work production and outdated pricing for services which are not fully cost recoverable. Publishing Services has restructured their rates to ensure full cost recovery. In Fiscal Year 2009, after the implementation of the revised rates, the net deficit decreased by $76.

17. COMMITMENTS (In Thousands)

As of June 30, 2009, the City's business-type activities contractual commitments are as follows:

Airports	$	1,849
Environmental Services		5,205
Sewer Utility		91,639
Water Utility		92,938
Other		2,051
Total Contractual Commitments	$	193,682

These contractual commitments are to be financed with existing reserves and future service charges. The Sewer and Water Utility Funds intend to finance their contractual commitments with financing proceeds secured by system revenues, in addition to existing reserves and future service charges.

Consent Decree

On April 2, 2001, two environmental groups filed suit against the City alleging that the Municipal System's collection system was deficient as a result of sewer spills from December 1996 to the time of the filing. The complaint sought injunctive relief to prevent illegal discharges, a compliance schedule to upgrade the Municipal System's collection system, and civil penalties of $27.5 per day for each day of violation. The City contested the plaintiffs' claims.

The U.S. Environmental Protection Agency (EPA) and the State also filed suits against the City alleging the same collection system violations, seeking unspecified penalties and injunctive relief for collection system improvements. All three cases were consolidated. On March 16, 2005, the City settled the State lawsuit for $1,200. Of this total, $1,000 funded three supplemental environmental projects to benefit the local environment, and $200 was deposited in the State's Cleanup and Abatement Account.

The EPA, the City, and the environmental groups reached an agreement on additional requirements to reduce sewer spills, which are set forth in a Consent Decree (the "Consent Decree"). The Consent Decree requires increased sewer spill response and tracking, increased root control, replacement or rehabilitation of 250 miles of pipeline, a canyon economic and environmental analysis, pump station and force main upgrades, and entails court supervision of these upgrades at least through June 2013. The estimated average annual cost of this commitment is $117,000 per year in capital projects and $48,700 per year in operational maintenance to the sewer system (based on the projected expenditures for wastewater collections for fiscal year 2009); however, the costs for bidding, constructing and completing the required work will fluctuate depending on variables such as changes in the cost of materials and labor. No civil penalty payment was required, though stipulated penalties ranging from $375 (in whole dollars) to $20,000 (in whole dollars) per occurrence are included for subsequent violations of the Consent Decree. The Consent Decree was approved by the Court on October 9, 2007, settling all remaining issues in the case.

Four sewer rate increases were approved for fiscal year 2007 through fiscal year 2010 to partially fund the obligations of the Consent Decree. However, additional rate increases will be necessary (likely beginning in year 2011) to completely fund the Consent Decree. The City funds the Capital Projects in the Consent Decree through the issuance of notes and bonds which are repaid with sewer system revenues.

Agreement Relative to Modified Permit for the Point Loma Wastewater Treatment

In December 2008, the Environmental Protection Agency (EPA) released its tentative decision to approve the City's request to renew a modified permit for the Point Loma Wastewater Treatment Plant. Point Loma initially received a modified permit (also known as a waiver) in 1995, which was renewed in 2002. The City entered into an agreement with the environmental organizations to support the waiver and the City promised to conduct a study to identify opportunities to maximize recycling wastewater for non-potable and potable uses for an amount not to exceed $2,000,000 (in whole dollars). This request is the City's second renewal. In June 2009, the State of California's Regional Water Quality Control Board concurred with the EPA and concluded the public hearing process by unanimously approving the modified permit. On October 7, 2009 the California Coastal Commission voted 8 to 4 to approve the modified permit with the condition that the City come back in 2 years with the Recycled Water Study. The City is evaluating the specifics of the condition and will return to the California Coastal Commission in February 2010 for further discussion and adoption of findings. During this time, the present modified permit will be administratively continued. Point Loma will continue to operate under the provisions of the modified permit that was adopted in 2002, in full compliance with the Clean Water Act section 301(h), as modified by the Ocean Pollution Reduction Act.

California Department of Public Health Compliance Order

In 1994, the City of San Diego entered into a compliance agreement with the State of California Department of Public Health (DPH) with the approval of City Council, after the DPH Drinking Water Field Operations Branch conducted a sanitary survey of the City's water system. This agreement required the City to correct operational deficiencies and begin necessary capital improvements. The City was notified in January of 1997 that it was not in compliance with this agreement. At that time, the DPH issued a compliance order. The January 1997 Compliance Order was last amended in May of 2007 (Amendment 11), and included additional items that were not in the original Compliance Order. The DPH Compliance Order will remain in effect until the required projects are completed.

Presently, the Water Department is meeting all of the requirements of the DPH Compliance Order, including the ongoing obligation to provide DPH with quarterly progress reports. On February 26, 2007, the City authorized an increase in water rates and charges to continue funding projects mandated in the DPH Compliance Order as well as other Capital Improvement Program projects. In addition, on October 8, 2007, November 17, 2008, and November 17, 2009, the City authorized "pass-through" rate increases to account for the higher cost of water purchased from the San Diego County Water Authority. The 2007 and 2008 pass-through rate increases took effect on January 1, 2008 and January 1, 2009, respectively. The November 2009 pass-through increase is scheduled to take effect on January 1, 2010. All three pass-through rate increases will help preserve the funds previously committed to DPH Compliance Order projects. In conjunction with the November 17, 2008 approval of the January 1, 2009 pass-through rate increase, the City also approved a rate increase to cover the cost of an indirect potable reuse demonstration project. This increase also took effect January 1, 2009 and is anticipated to sunset on July 1, 2010 at which time sufficient revenue is expected to have been generated to offset the costs of the project.

The DPH has authority to impose civil penalties if the City fails to meet Compliance Order deadlines, although DPH has not imposed such penalties to date. Violation of the DPH Compliance Order may be subject to judicial action, including civil penalties specified in the California Health and Safety Code, Section 116725. Section 116725 penalties for violating a schedule of compliance for a primary drinking water standard can go as high as $25,000 (in whole dollars) per day for each violation. For violations of other standards, such as turbidity, the penalties can reach $5,000 (in whole dollars) per day. There are a number of additional enforcement tools prescribed by law, including mandatory water conservation, litigation and service connection moratoriums.

The costs for bidding, constructing and completing the required work will fluctuate depending on variables such as changes in the cost of materials and labor. As of June 2009, the Water Department's DPH Compliance Order project and DPH related project costs approximate:

Total Projects	FY09 Actuals	FY10 - FY11	FY12 - FY19	TOTAL
DPH & EPA Requirements	$ 126,355	$ 131,212	$ 216,279	$ 473,846
DPH Related Projects	19,150	98,633	296,286	414,069

These commitments are to be financed with existing net assets, present and future revenues, and financing proceeds secured by system revenues.

Convention Center Dewatering

The City is responsible for the disposition and monitoring of the quality of groundwater from the parking structure at the San Diego Convention Center located adjacent to San Diego Bay. The Convention Center includes a subterranean parking garage, which is subject to infiltration of groundwater, much of which originates from the bay. This groundwater must be continually pumped from the parking structure to prevent it from being inundated. Approximately 500,000 gallons of groundwater is pumped daily from the parking structure. Until March 26, 2008, this water was discharged into San Diego Bay. The City held a National Pollutant Discharge Elimination System (NPDES) permit for the discharge, issued by the Regional Water Quality Control Board (RWQCB). Monthly groundwater discharge sample results have not met the standards dictated by the NPDES permit since the end of calendar year 2005. This triggered the implementation of work to cease effluent violations within 27 months (from the end of March 2008), pursuant to an order of the RWQCB.

To achieve compliance with groundwater discharge requirements, the City retained an engineering consultant in fiscal year 2006 to review all previous work and develop the most cost-effective engineering solution to achieve compliance. The consultant's final report was received in August 2007. This report determined that the most cost effective method to comply with the RWQCB Order in the near term was to divert the discharge from the bay to the sewer system.

The City of San Diego established the diversion to the sewer effective March 26, 2008 in compliance with the RWQCB Order. The City requested permission from the EPA to make diversion of the groundwater into the sewer system permanent. The EPA granted the City's request on December 3, 2009. The City is now requesting concurrence from the State Water Resources Control Board ("SWRCB"), which must also approve the permanent diversion as a condition of funding it received from the EPA and passed through to the City.

18. CONTINGENCIES (In Thousands)

FEDERAL AND STATE GRANTS

The City recognizes as revenue grant monies received as reimbursement for costs incurred in 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 2008 was completed by Macias Gini & O'Connell LLP. The Single Audit for fiscal year 2009 is in process.

The Office of the Inspector General (OIG) audited the City's Community Development Block Grant (CDBG) program, specifically CDBG loans to RDA, and on December 30, 2008, OIG issued its audit report to HUD, Office of Community Planning and Development (OPD). In addition to other findings, OIG determined that the City failed to execute loan agreements and repayment schedules for the CDBG loans issued to RDA that include a principal balance of $63,000 and an accumulated interest of approximately $76,000 totaling $139,202 in loans outstanding. The OIG audit report recommended that HUD require the City to execute written interagency agreements and loan agreements with RDA for these outstanding loan amounts. The City is currently in discussions with HUD on the audit findings and any actions HUD may require of the City, including the possible repayment by the City of certain CDBG funds and that HUD could forgive a portion of the accumulated interest so that repayment of the loans would not adversely impact RDA project areas. Depending on the outcome of the City's negotiations with HUD, repayment of the loans by RDA could impact RDA's liquidity. These loans are reported as a component of loans payable and accrued interest payable to the City in the long-term liabilities footnote of the Redevelopment Agency Financial Statements with an "unscheduled" maturity date. These loans do not appear in the City's CAFR as they represent interfund loans between two governmental funds in which repayment is not expected in a reasonable amount of time. Therefore, these loans are reported as interfund transfers in the fund level statements, and then eliminated as interfund activity in the government wide statements per GASB 34.

CONTINUING DISCLOSURE OBLIGATIONS

The City, in connection with all bond offerings since the effective date (July 1995) of the continuing disclosure requirements of SEC Rule 15c2-12, has contractually obligated itself to provide annual financial information, including audited financial statements, within certain specified time periods (generally nine months) after the end of each fiscal year. During fiscal year 2009, the City has met its contractual obligations to provide to the national repositories the audited financial statement for the fiscal year ended 2008 and certain annual financial information and operating data for fiscal year ended 2008 on a timely basis. Previously, the City failed to file required annual reports and the audited financial statements by the filing dates for the fiscal years ended 2003 through 2007. Each required annual report and the audited financial statements were subsequently filed. As of fiscal year 2009, there are no annual reports pending to be filed.

SEC ACTIONS

In November 2006, the Securities and Exchange Commission (SEC) entered an Order sanctioning the City of San Diego for committing securities fraud by failing to disclose, in 2002 and 2003, material information about its pension and retiree health care obligations in connection with disclosures relating to the sale of its municipal bonds. To settle the action, the City agreed to cease and desist from future securities fraud violations and to retain an independent consultant for three years to foster compliance with its disclosure obligations under the federal securities laws. The SEC's investigation with respect to the City's misleading disclosures may be ongoing as to individuals and other entities that may have violated the federal securities laws.

The SEC Order sanctioning the City of San Diego for committing securities fraud is available at: www.sec.gov

Changes to the City Charter to enhance the independence of both the City Auditor and the Audit Committee were approved with the passage of Proposition C (Prop C) in the June 3, 2008 election. These amendments included a restructured Audit Committee consisting of two Councilmembers, one being chair, and three public members. The public members must have at least ten years of professional auditing or accounting experience, and are appointed by the City Council.

INDEPENDENT CONSULTANT'S REPORTS

The Independent Consultant required by the SEC Order has several specific mandates. Among these are annual reviews, for a three year period, of the City's policies, procedures and internal controls regarding financial disclosures. The Independent Consultant is also required to make recommendations concerning the City's policies, procedures and internal controls and to assess the City's adoption and implementation of these recommendations

On April 24, 2009 the Independent Consultant issued his second annual report to the City of San Diego which was presented to the City Council on July 20, 2009. This report described his review and assessment of the City's policies, procedures and internal controls regarding the City's financial and other disclosures; the hiring of internal personnel and external experts for disclosure functions and; training programs focused on compliance and disclosure obligations. His complete report and recommendations is available at: www.sandiego.gov (included with the July 20, 2009 Audit Committee materials.)

On September 30, 2009 the Mayor sent a response to the Independent Consultant's second annual report to the Securities and Exchange Commission. This response is available at: www.sandiego.gov.

STATUS OF INTERNAL CONTROLS OVER FINANCIAL REPORTING

The plan to improve the City's internal controls over financial reporting includes the implementation of an enterprise resource planning (ERP) system during fiscal year 2010 to improve the way the City manages finances and the processes and internal controls involved in the City's accounting and human resources functions. As of June 30, 2009, setup work for the internal controls module called Governance, Risk and Compliance (GRC) has been completed within our ERP system. The GRC system for monitoring and testing access and process controls was activated with the new ERP system on July 1, 2009. The City has an 18 month internal controls plan in place that addresses the remediation of internal control weaknesses over financial reporting through more robust process documentation, further access and process control development within GRC, internal control testing, and employee training.

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 has received approximately 2,300 notices of claims in fiscal year 2009.

The estimate of the liability for unsettled claims has been reported in the Government-wide Statement of Net Assets and the proprietary funds financial statements. The liability was estimated by categorizing the various claims and supplemented by information provided by the City Attorney with respect to certain large individual claims and proceedings. The recorded liability is the City's best estimate based on available information.

Significant individual lawsuits are described below.

SDCERS v. City of San Diego

In 1996 and 2002, SDCERS, the City, and various labor unions entered into agreements wherein the City's contribution to the pension system was less than the actuarially required contribution, while also increasing pension benefits. SDCERS has filed a complaint claiming the benefits are legal and should continue to be paid by the City. The City Attorney filed a cross-complaint alleging the benefits were not legal; however, that case was dismissed in January 2007. SDCERS filed a compulsory cross-complaint against the City, seeking damages in an amount equivalent to what the City should have contributed to the pension system in the absence of the funding relief granted by earlier management agreements MP-1 and MP-2. The City does not currently have an estimate of the range, if any, potential loss in the event of an adverse ruling.

City v. SDCERS

On October 15, 2007, the City filed a lawsuit concerning the effective date of certain benefit changes arising from the 2005 MOU entered into between the City and four of its collective bargaining units. The City contends the effective date of the benefit changes is July 1, 2005; however, the defendants contend the effective date is February 16, 2007 when the Municipal Code change was codified by O-19567. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $5,000.

Ernest Abbit, etc. v. City of San Diego

Residents of the De Anza Mobilehome Park filed a lawsuit alleging violations of the California Mobilehome Residency laws for management abuses and individual tort claims. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $19,000.

Joseph Aglio, etc v. City of San Diego

This complaint was filed by the firm Tatro & Zamoyski, representing a separate class of residents of the De Anza Mobilehome Park that were previously excluded from the Ernest Abbit case above due to settlements entered into with the City or because they were evicted. The claims are identical to the Ernest Abbit case. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $16,000.

Colony Hills Homeowners Association, Wayne Akeson, et al. v. City of San Diego

On August 6, 2006, a lawsuit arose following a water main break which caused flooding along a private street in the Colony Hills Homeowners Association in La Jolla. Claimants allege the water main failure caused soil subsidence, hillside failure, road failure and diminished property values of forty homes. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $45,000.

Janet Wood v. City of San Diego

This case against the City claims that women and unmarried retirees receive less benefits than others. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $2,000.

Frazier, Patricia, et al v. City of San Diego

This is an action by former City employees who are now defendants to a civil action by the SEC. Plaintiffs seek a declaratory judgment in the form of an order from the courts for the City to defend and indemnify Plaintiffs. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $3,000.

San Diego Police Tow operators v. City of San Diego

This case was brought by the towing companies under contract with the City, and alleges that the City is charging them “franchise fees” that exceed the amount permitted to be charged under the California Vehicle Code. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $14,000.

California Restaurant Management System Inc. v. City of San Diego

The California Restaurant Management System filed a class action lawsuit seeking refunds of sewer collection fees paid by “Food Service Establishments” as defined by the City’s wastewater department. The Plaintiff alleges that the City failed to properly calculate the proportional impact of Food Service Establishments’ use of the sewer system in determining sewer rates from 1994-2004. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $5,000.

Richard S. Pearson v. Mission and PB Drive, LLP and City of San Diego

Mission and PB Drive, LLP (MPB) is currently building a mixed-use, residential-commercial development on property which shares a common border with Pearson’s residential property in Pacific Beach. The City owns a six foot drainage easement along the common border of the Pearson and MPB properties. MPB sued Pearson for trespass and nuisance. Pearson then filed a cross-complaint against MPB for nuisance, trespass and to quiet title to easement/declaratory relief/prescriptive easement. Pearson then amended his cross-complaint to bring the City into the lawsuit claiming nuisance, breach of contract, implied contractual indemnity, invasion of privacy and quiet title to easement/declaratory relief/prescriptive easement. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $2,500.

Betty Jones v. City of San Diego

This case concerns an allegation of personal injury due to a trip and fall in a City park. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $2,000.

Grande North at Santa Fe Place Home Owner’s Association v. BOSA Development; City of San Diego

This case alleges property damage from hydrogen sulfide gas escaping from sewer lines. The damage includes the venting and plumbing throughout the multiple unit high rise condominium project. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $10,000.

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

POLLUTION REMEDIATION OBLIGATIONS

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and clean ups. This Statement is effective for this fiscal year ended June 30, 2009.

Significant Pollution Remediation Events are discussed below:

California Regional Water Quality Board Administrative Proceeding

This matter involves a tentative cleanup and abatement order by the Regional Water Quality Control Board (RWQCB) which when made effective will require remediation of polluted bay sediments near historic shipyards on San Diego Bay. The City has been named as a "Discharger" in the tentative order along with other entities which include shipyard operators, the local electric utility SDG&E, and the U.S. Navy. The basis for the City being named is pollution flowing from its storm water conveyance system into the bay and Chollas Creek, which empties into the bay at the site. The discharges causing the polluted sediment are alleged to have occurred from 1915 to present. The order was originally issued in 2005 and was stayed by the Board in 2006; the stay was lifted in April 2008 after the RWQCB staff revised and reissued the tentative order. The proceeding was then stayed again in June 2008 while the parties pursued mediation. The Board has extended the mediation stay several times, at this time indefinitely, as the parties continue to actively pursue a settlement in confidential mediation. It is anticipated that a mediated settlement will be presented for public consideration and adoption by the RWQCB in late 2009 or early 2010, and that the RWQCB staff and Dischargers will be in accord with this possible settlement proposal. It is uncertain whether intervening environmental groups will subscribe to a proposed settlement and a contested hearing before the RWQCB and litigation remain possible results. The total cost of the cleanup is estimated to be between $900 and $122,000 (industrial shipbuilders urge the low end, environmental groups urge cleanup levels that would cost at the high end) – but those are the far ends of the spectrum and the cost of the actual total cleanup will likely be in the $40,000 to $80,000 range, subject to post-remedial monitoring, plus an additional $6,000 to $9,000 in site investigation, assessment costs, and RWQCB oversight costs. The order will include post-remedial monitoring requirements which, depending on monitoring results and trends, may lead to further cleanup orders. The parties will address allocation of all of these costs in mediation; however there exist many variables which make accurate estimation of the City's likely share of the total costs impossible at this time. Issues of allocation among the parties will be determined using principles established in the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), as interpreted in existing case law. CERCLA principles will be the basis of discussion in further mediation, and absent a settlement on allocation, those principles will be at issue in litigation. In this case there are a myriad of factual inputs relative to the CERCLA principles of allocation. Disputes over those facts and the weight they should be given, the number of Discharger parties, the confidential nature of the mediation, and the exposure to the possibility of litigation all preclude the City from publishing more a specific projected outcome in this matter at this time.

California Regional Water Quality Board (Board) Administrative Civil Liability Complaint

This matter involves a sewage spill into Lake Hodges in August 2007. The allegation from the Board is that the City violated the Clean Water Act and its NPDES permit. The penalty approved by the Board's staff, on 11/18/09, is $620 with an additional amount also due Santa Fe Irrigation for $60 as a result of the same spill. The $620 liability has been accrued in the Water Utility fund level financial statements.

County Department of Environmental Health (DEH) Unauthorized Release Cases

The City owns Underground Storage Tank Systems (UST) at various locations, including but not limited to: Airports, Fleet Division, and Fire and Rescue Divisions. The City has been named as a responsible party by the DEH in 23 cases located at 11 UST sites. The nature of the pollution involves soil and groundwater contamination by the UST's. 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 calculated using a variety of methods and assumptions including but not limited to: soil borings; monitoring wells; lateral and vertical extent of impacts being defined; treatment; attenuation monitoring; and, soil and vapor sampling. The liability for each site ranges from $0 to $1,000, all but two estimates are under $300. Given that the vast majority of all costs are paid out of the State's UST Cleanup Fund, and the majority of the estimates are of relatively small amounts, the estimates are expensed when incurred throughout the year in the responsible fund and no liability is accrued in the financial statements.

19. THIRD PARTY DEBT (In Thousands)

The City has authorized the issuance of certain conduit revenue private activity bonds, in its name, to provide tax exempt status because it believes a substantial public benefit will be achieved through the use of the proceeds. Aside from the fact that these bonds have been issued in the City's name, the City has no legal obligation to make payment on these bonds and has not pledged any City assets as a guarantee to the bondholders. The following describes the outstanding third party debt:

Mortgage and 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, 2009, the status of all third party bonds issued is as follows (in thousands):

	Original Amount	Balance June 30, 2009
Mortgage Revenue	$ 15,700	$ 7,320

These bonds do not constitute an 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. In reliance upon the opinion of bond counsel, City officials have determined that these bonds are not payable from any revenues or assets of the City, and neither the full faith nor credit of the taxing authority of the City, the state, or any political subdivision thereof is obligated to the payment of principal or interest on the bonds. In essence, the City is acting as a conduit for the private property owners/bondholders in collecting and forwarding the funds. Accordingly, no liability has been recorded in the City's government-wide statement of net assets.

20. CLOSURE AND POST CLOSURE CARE COST (In Thousands)

State and federal laws and regulations require that the City of San Diego place a final cover on its Miramar Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each financial statement date.

The $19,336 reported as landfill closure and post closure care liability at June 30, 2009 represents the cumulative amount reported to date based on the use of 76% of the estimated capacity of the landfill. The remaining life of the landfill is approximately eight years, based on the estimated closing date of 2017.

The City will recognize the remaining estimated cost of closure and post closure care of $6,112 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care at June 30, 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The City is in compliance with these requirements and at June 30, 2009, cash or equity in pooled cash and investments of $37,983 was held for this purpose. This is reported as restricted assets on the statement of net assets in the Environmental Services Fund. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be paid by charges to future landfill users or from other sources.

21. OPERATING AGREEMENTS (In Thousands)

San Diego Data Processing Corporation and Automated Regional Justice Information System

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

Under the agreement, SDDPC provides information technology services to ARJIS at rates which, on an annual basis, are equivalent to those charged to other governmental agency clients. Included in SDDPC's services revenue is approximately $3,689 related to ARJIS for the year ended June 30, 2009.

City of San Diego and Padres L.P.

On February 1, 2000, the City entered into a Joint Use and Management Agreement (Agreement) with the San Diego Padres baseball team (Padres) governing the rights and duties of the City and Padres with respect to the use and operation of the new Petco Park Ballpark Facility (Facility). The Facility was completed and operational in April 2004 and the City and Padres jointly own the facility. The Padres have a 30% divided interest based upon the original Facility cost estimate of $267,500 (or $80,250), and the City owns 70%, which is capitalized on the City's books. The City and the Padres have agreed upon the schedule of items and components that constitute the Padres' divided ownership, and the value of that divided ownership may vary from (but does not exceed) 30% due to the calculation of cost overruns for the Facility. Following termination of any occupancy agreement for the Facility, 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.

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

22. SUBSEQUENT EVENTS (In Thousands)

On July 1, 2009, the City issued the fiscal year 2009-2010 Tax and Revenue Anticipation Notes in the amount of $125,000 to meet the annual general fund cash flow needs of the City. The fiscal year 2008-2009 Tax Revenue Anticipation Note was repaid on April 1, 2009.

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of $2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of $2.05 billion will be made over two years, $1.7 billion in fiscal year 2010 and $350 million in fiscal year 2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. RDA's share of this revenue shift is approximately $55,649 in fiscal year 2010 and $11,457 in fiscal year 2011. Payments are to be made by May 10 of each respective fiscal year. RDA intends to fund these payments with a combination of tax increment to be collected in fiscal year 2010 and 2011 and carryover funds from the current year.

On July 28, 2009 the State passed its 2009-2010 budget. This budget and related legislation contained provisions requiring California cities, counties, and special districts to lend property tax revenues to the State. The State is not required to repay the borrowed amounts until June 30, 2013. For the City, the borrowed amount totals $35,815. As part of the State budget actions, local agencies were provided the opportunity to receive the monies being borrowed by the State up front through a securitization program offered by the California Statewide Communities Development Authority ("CSCDA"), a joint powers authority. The City elected to participate in the program offered by CSCDA, and on October 19, 2009 the City Council approved Resolution R-305333, authorizing the applicable participation documents. The securitization was executed on November 19, 2009, and payments to the City will be made in two equal installments on January 15, 2010 and May 3, 2010. Under the program, there is no impact to the City's Fiscal Year 2009-2010 budget.

On July 30, 2009, RDA issued $13,930 of Subordinate Tax Allocation Bonds for the purpose of repaying certain outstanding obligations and to finance redevelopment activities relating to the North Park Redevelopment Project area. The Series 2009A bonds are payable solely from and secured by a pledge of tax revenues and are subordinate to the prior liens of the outstanding North Park Redevelopment Project Tax Allocation Bonds, Series 2000, Series 2003A and Series 2003B. The bond issuance is structured as term bonds and has an interest rate that ranges from 6.0% to 7.0%, with a final maturity date of November 1, 2039.

On September 11, 2009 the City Council approved the *"Improper Influence of Outside Professionals and Obstruction of the City Auditor"* Ordinance #19895. This ordinance makes it unlawful for any elected official, officer or employee of the City, or anyone acting under their direction, to take any action to coerce or fraudulently influence, manipulate or mislead the City Auditor or any member of his or her staff in the conduct of an audit with the specific intent of obstructing such audit or rendering any report materially misleading. Municipal Code Section 22.0711 has been updated with this new ordinance language and can be accessed at sandiego.gov.

On September 25, 2009, the Related Companies (Plaintiffs) filed a lawsuit against RDA, the City, and CCDC, contending they breached a negotiating agreement entered into with Plaintiffs. Plaintiffs claim a development agreement acceptable to Plaintiffs wrongfully failed to be executed by RDA, the City, and CCDC under the pretext that CCDC's president had a financial interest in Plaintiffs' sister company while CCDC's president resided in Florida. Plaintiffs claim they lost millions of dollars in pre-development investment expenditures as a result of the breach of the negotiating agreement. No estimate of the amount or range of potential loss may be made at this time.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate AB 26 4x, similar to last year's successful lawsuit challenging the constitutionality of AB 1389. The CRA filed the lawsuit on October 20, 2009. The lawsuit asserts that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint also asserts impairment of contract and gift of public funds arguments. While the State made adjustments in AB 26 4x to address the constitutional issues raised by the Superior Court over last year's lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional.

On November 30, 2009, RDA terminated its Disposition and Development Agreement (DDA) with CentrePoint LLC for the development of a mixed-use development project within the Crossroads Project Area. Pursuant to the DDA, RDA's contribution was in the form of a developer loan of $5,245 to be repaid from the Crossroads Low and Moderate Income Housing Fund to subsidize 47 affordable units. The loan amount was later reduced to $4,969 pursuant to the third implementation agreement with CentrePoint LLC. Termination of the agreement will result in recognition of revenue for the loan payable balance of $4,969 and removal of the long term liability in the government-wide financial statements.

On December 9, 2009, the RDA Board approved the principal terms of a settlement agreement with San Diego State University Foundation (Foundation) on a complaint for specific performance alleging that the RDA breeched an agreement requiring them to sell certain property to the plaintiff. The settlement provides that the RDA contractual obligation of $1,715 and accrued interest of $1,613 payable to the Foundation will be reduced to the sum of $750. Additionally, RDA will transfer fee title of the property to the Foundation by Grant Deed.

Required Supplementary Information (Unaudited)
June 30, 2009

PENSION TRUST FUNDS

Schedule of Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a)/c)
6/30/2006	$ 3,981,932	$ 4,982,700	$ 1,000,768	79.92%	$ 534,103	187.37%
6/30/2007 *	4,413,411	5,597,653	1,184,242	78.84%	512,440	231.10%
6/30/2008	4,660,346	5,963,550	1,303,204	78.15%	535,774	243.24%

Source: Cheiron, Inc.

* The actuarial accrued liability was calculated using the Entry Age Normal (EAN) method beginning in fiscal year 2007. Prior to fiscal year 2007, the Projected Unit Credit (PUC) method was used.

OPEB TRUST FUND

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a)/c)
6/30/2008	$ 29,637	$ 1,235,707	$ 1,206,070	2.40%	$ 556,857	216.59%
6/30/2009	41,497	1,359,377	1,317,880	3.05%	549,012	240.05%

Schedule of Contributions from Employer and Other Contributing Entities
The following table shows contributions to the City's OPEB trust fund for the last two fiscal years (in thousands):

Fiscal Year	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2008	$ 91,645	$ 53,553	58.44%
6/30/2009	104,475	49,498	47.38%

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; Use of Money and Property; Aid from Other Governmental Agencies; Charges for Current Services; and Other Revenue.

Current expenditures and encumbrances are classified by the functions of: General Government and Support; Public Safety–Police; Public Safety–Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; and Debt Service Principal and Interest. Appropriations are made from the fund annually.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property Tax	$ 411,142	$ 396,620	$ 398,743	$ 2,123
Sales Tax	230,196	223,618	212,918	(10,700)
Transient Occupancy Tax	90,629	82,189	73,765	(8,424)
Other Local Taxes	78,537	76,977	72,432	(4,545)
Licenses and Permits	32,687	32,240	31,249	(991)
Fines, Forfeitures and Penalties	34,215	34,216	32,467	(1,749)
Revenue from Use of Money and Property	54,019	52,351	42,252	(10,099)
Revenue from Federal Agencies	15,724	15,701	4,268	(11,433)
Revenue from Other Agencies	9,283	8,423	8,915	492
Charges for Current Services	135,582	131,016	133,117	2,101
Other Revenue	29,334	26,858	5,296	(21,562)
TOTAL REVENUES	1,121,348	1,080,209	1,015,422	(64,787)
EXPENDITURES				
Current:				
General Government and Support	279,818	269,270	249,134	20,136
Public Safety - Police	406,503	398,601	391,774	6,827
Public Safety - Fire and Life Safety and Homeland Security	186,752	197,166	196,329	837
Parks, Recreation, Culture and Leisure	125,464	123,904	120,573	3,331
Transportation	83,016	78,455	75,562	2,893
Sanitation and Health	100,903	90,630	81,462	9,168
Neighborhood Services	22,183	21,621	19,416	2,205
Debt Service:				
Principal Retirement	-	818	818	-
Interest	2,979	3,173	3,106	67
TOTAL EXPENDITURES	1,207,618	1,183,638	1,138,174	45,464
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(86,270)	(103,429)	(122,752)	(19,323)
OTHER FINANCING SOURCES (USES)				
Transfers from Proprietary Funds	2,746	2,746	6,267	3,521
Transfers from Other Funds	69,347	71,334	105,059	33,725
Transfers to Proprietary Funds	(6,150)	(4,043)	(4,043)	-
Transfers to Other Funds	(24,688)	(26,031)	(26,031)	-
Net Loss from Joint Venture	-	-	(157)	(157)
TOTAL OTHER FINANCING SOURCES (USES)	41,255	44,006	81,095	37,089
NET CHANGE IN FUND BALANCE	(45,015)	(59,423)	(41,657)	17,766
Fund Balance Undesignated at July 1, 2008	75,339	75,339	75,339	-
Reserved for Encumbrances at July 1, 2008	43,853	43,853	43,853	-
Reserved for Minority Interest in Joint Venture at July 1, 2008	-	-	1,981	1,981
Reserved for Minority Interest in Joint Venture at June 30, 2009	-	-	(1,824)	(1,824)
Designated for Subsequent Years' Expenditures at July 1, 2008	862	862	862	-
Designated for Subsequent Years' Expenditures at June 30, 2009	-	-	(207)	(207)
FUND BALANCE UNDESIGNATED AT JUNE 30, 2009	$ 75,039	$ 60,631	$ 78,347	$ 17,716

The accompanying note is an integral part of the Required Supplementary Information

Note to Required Supplementary Information
Year Ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Budgetary Data

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

- **General Fund**
- **Special Revenue Funds:**
  - City of San Diego:
    - -Acquisition, Improvement and Operation
    - -Environmental Growth Funds:
      - -Two-Thirds Requirement
      - -One-Third Requirement
    - -Police Decentralization
    - -Public Transportation
    - -Qualcomm Stadium Operations
    - -Special Gas Tax Street Improvement
    - -Street Division Operations
    - -Transient Occupancy Tax
    - -Underground Surcharge
    - -Zoological Exhibits
    - -Other Special Revenue
  - Centre City Development Corporation
  - Southeastern Economic Development Corporation
- **Debt Service Funds:**
  - City of San Diego:
    - -Public Safety Communications Project
  - San Diego Open Space Park Facilities District #1
- **Capital Projects Funds:**
  - City of San Diego:
    - -TransNet

Public hearings are then conducted to obtain citizen comments on the proposed budget. During the month of July the budget is legally adopted through passage of an appropriation ordinance by the City Council. 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 reserve for advances and deposits to other funds and agencies are considered as additions/deductions of expenditures. The City budget is prepared excluding unrealized gains or losses resulting from the change in fair value of investments, proceeds from capital leases, and net income from joint venture.

The legal level of budgetary control for the City's general fund is exercised at the salaries and wages and non-personnel expenditures level. Budgetary control for the other budgeted funds, including those of certain component units, is maintained at the total fund appropriation level. All amendments to the adopted budget require City Council approval except as delegated in the Annual Appropriation Ordinance.

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

The following is a reconciliation of the net change in fund balance prepared on a GAAP basis to that prepared on the budgetary basis for the year ended June 30, 2009 (in thousands):

	General Fund
Net Change in Fund Balances - GAAP Basis	$ (10,389)
Add (Deduct):	
Encumbrances Outstanding, June 30, 2009	(32,071)
Reserved for Advances, June 30, 2009	-
Designated for Unrealized Gains, June 30, 2009	(1,943)
Reserved for Advances, June 30, 2008	9
Designated for Unrealized Gains, June 30, 2008	2,737
Net Change in Fund Balances - Budgetary Basis	$ (41,657)

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 reported as reservations of fund balances, since the commitments will be honored through subsequent years' continuing appropriations. Encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

Supplementary Information - General Fund

GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
PROPERTY TAX					
One Percent Property Tax Allocation	$ -	$ -	$ -	$ 396,620	$ (396,620)
Current Year - Secured	118,156	-	118,156	-	118,156
Current Year Supplemental - Secured	6,613	-	6,613	-	6,613
Current Year - Unsecured	8,952	-	8,952	-	8,952
Current Unsecured Supplemental Roll	203	-	203	-	203
Homeowners' Exemptions - Secured	2,685	-	2,685	-	2,685
Homeowners' Exemptions - Unsecured	2	-	2	-	2
Prior Years' - Secured	9,114	-	9,114	-	9,114
Prior Years' - Unsecured	(147)	-	(147)	-	(147)
In-Lieu Vehicle License Fees	175	-	175	-	175
Interest and Penalties on Delinquent Taxes	2,026	-	2,026	-	2,026
Escapes - Secured	200	-	200	-	200
Escapes - Unsecured	141,517	-	141,517	-	141,517
Other Property Taxes	106,946	-	106,946	-	106,946
State Secured Unitary	2,301	-	2,301	-	2,301
TOTAL PROPERTY TAX	398,743	-	398,743	396,620	2,123
SALES TAX	212,918	-	212,918	223,618	(10,700)
TRANSIENT OCCUPANCY TAX	73,765	-	73,765	82,189	(8,424)
OTHER LOCAL TAXES					
Franchises	67,840	-	67,840	70,525	(2,685)
Property Transfer Tax	4,592	-	4,592	6,452	(1,860)
TOTAL OTHER LOCAL TAXES	72,432	-	72,432	76,977	(4,545)
LICENSES AND PERMITS					
General Business Licenses	9,243	-	9,243	10,589	(1,346)
Refuse Collection Business Licenses	868	-	868	1,800	(932)
Other Regulatory Business Licenses	2,704	-	2,704	1,360	1,344
Rental Unit Tax	7,001	-	7,001	6,775	226
Parking Meter Revenue	7,440	-	7,440	7,614	(174)
Street and Curb Permits	104	-	104	96	8
Other Licenses and Permits	3,889	-	3,889	4,006	(117)
TOTAL LICENSES AND PERMITS	31,249	-	31,249	32,240	(991)
FINES, FORFEITURES AND PENALTIES					
California Vehicle Code Violations	27,615	-	27,615	29,906	(2,291)
Other City Ordinance Code Violations	4,852	-	4,852	4,310	542
TOTAL FINES, FORFEITURES AND PENALTIES	32,467	-	32,467	34,216	(1,749)
REVENUE FROM USE OF MONEY AND PROPERTY					
Interest on Investments	(407)	791	384	8,780	(8,396)
Balboa Park Rents and Concessions	621	-	621	612	9
Mission Bay Park Rents and Concessions	28,049	-	28,049	29,932	(1,883)
Other Rents and Concessions	13,198	-	13,198	13,027	171
TOTAL REVENUE FROM USE OF MONEY AND PROPERTY	41,461	791	42,252	52,351	(10,099)
REVENUE FROM FEDERAL AGENCIES	4,268	-	4,268	15,701	(11,433)

Continued on Next Page

GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUE FROM OTHER AGENCIES					
State Motor Vehicle License Fees	$ 4,650	$ -	$ 4,650	$ 6,030	$ (1,380)
Local Relief	151	-	151	210	(59)
Tobacco Revenue	14	-	14	452	(438)
State Grants	4,100	-	4,100	1,731	2,369
TOTAL REVENUE FROM OTHER AGENCIES	8,915	-	8,915	8,423	492
CHARGES FOR CURRENT SERVICES					
Administrative Services to Other Agencies	329	-	329	476	(147)
Cemetery Revenue	820	-	820	811	9
Engineering Services	455	-	455	759	(304)
Fire Services	17,625	-	17,625	12,857	4,768
Library Revenue	1,103	-	1,103	1,366	(263)
Miscellaneous Recreation Revenue	5,332	-	5,332	4,680	652
Other Services	358	-	358	411	(53)
Paramedic Services	161	-	161	162	(1)
Planning and Miscellaneous Filing Fees	103	-	103	162	(59)
Police Services	5,295	-	5,295	3,448	1,847
Swimming Pools Revenue	1,036	-	1,036	1,198	(162)
Services Rendered to Other Funds for:					
General Government and Financial	44,756	-	44,756	59,273	(14,517)
Engineering	45,210	-	45,210	34,570	10,640
Park Design	1,486	-	1,486	1,559	(73)
Miscellaneous Services	9,048	-	9,048	9,284	(236)
TOTAL CHARGES FOR CURRENT SERVICES	133,117	-	133,117	131,016	2,101
OTHER REVENUE					
Other Refunds of Prior Years' Expenditures	377	-	377	336	41
Repairs and Damage Recoveries	582	-	582	250	332
Sale of Personal Property	167	-	167	121	46
Miscellaneous Revenue	4,170	-	4,170	26,151	(21,981)
TOTAL OTHER REVENUE	5,296	-	5,296	26,858	(21,562)
TOTAL REVENUES	1,014,631	791	1,015,422	1,080,209	(64,787)
TRANSFERS FROM PROPRIETARY FUNDS					
Enterprise Funds:					
City of San Diego:					
Golf Course	2,131	-	2,131	2,131	-
Recycling	-	-	-	615	(615)
Internal Service Funds:					
City of San Diego:					
Fleet Services	1,592	-	1,592	-	1,592
Self Insurance	2,207	-	2,207	-	2,207
Miscellaneous Internal Service	337	-	337	-	337
TOTAL TRANSFERS FROM PROPRIETARY FUNDS	6,267	-	6,267	2,746	3,521

GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
TRANSFERS FROM OTHER FUNDS					
Special Revenue Funds:					
City of San Diego:					
Acquisition, Improvement, & Operations	10	-	10	-	$ 10
Environmental Growth Fund	9,595	-	9,595	11,137	(1,542)
Police Decentralization	111	-	111	-	111
Special Gas Tax Street Improvement	28,393	-	28,393	24,452	3,941
Street Division Operations	16	-	16	-	16
Transient Occupancy Tax	21,881	-	21,881	19,019	2,862
Stadium	6	-	6	-	6
Zoological Exhibits	125	-	125	-	125
Other Special Revenue-Budgeted	7,753	-	7,753	7,149	604
Grants	836	-	836	-	836
Other Special Revenue-Unbudgeted	14,304	-	14,304	-	14,304
Redevelopment Agency	2,239	-	2,239	870	1,369
Capital Projects Funds:					
City of San Diego:					
Capital Outlay	6,066	-	6,066	-	6,066
TransNet	7,807	-	7,807	8,332	(525)
Other Construction	5,545	-	5,545	-	5,545
Permanent Funds:					
Cemetery Perpetuity	372	-	372	375	(3)
TOTAL TRANSFERS FROM OTHER FUNDS	105,059	-	105,059	71,334	33,725
NET LOSS FROM JOINT VENTURE	(157)	-	(157)	-	(157)
TOTAL REVENUE AND TRANSFERS	$ 1,125,800	$ 791	$ 1,126,591	$ 1,154,289	$ (27,698)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
GENERAL GOVERNMENT AND SUPPORT					
Departmental:					
Mayor					
Salaries and Wages	$ 492	$ -	$ 492	$ 494	$ 2
Non-Personnel	271	5	276	282	6
Total Mayor	763	5	768	776	8
Office of the Assistant COO					
Salaries and Wages	63	-	63	115	52
Non-Personnel	28	-	28	66	38
Total Office of the Assistant COO	91	-	91	181	90
City Council District 1					
Salaries and Wages	515	-	515	515	-
Non-Personnel	390	-	390	391	1
Total City Council District 1	905	-	905	906	1
City Council District 2					
Salaries and Wages	483	-	483	483	-
Non-Personnel	320	-	320	320	-
Total City Council District 2	803	-	803	803	-
City Council District 3					
Salaries and Wages	555	-	555	555	-
Non-Personnel	401	-	401	401	-
Total City Council District 3	956	-	956	956	-
City Council District 4					
Salaries and Wages	568	-	568	568	-
Non-Personnel	440	-	440	440	-
Total City Council District 4	1,008	-	1,008	1,008	-
City Council District 5					
Salaries and Wages	500	-	500	500	-
Non-Personnel	354	-	354	354	-
Total City Council District 5	854	-	854	854	-
City Council District 6					
Salaries and Wages	521	-	521	521	-
Non-Personnel	375	-	375	375	-
Total City Council District 6	896	-	896	896	-
City Council District 7					
Salaries and Wages	589	-	589	589	-
Non-Personnel	401	-	401	401	-
Total City Council District 7	990	-	990	990	-
City Council District 8					
Salaries and Wages	530	-	530	530	-
Non-Personnel	423	-	423	423	-
Total City Council District 8	953	-	953	953	-
Council Administration					
Salaries and Wages	952	-	952	952	-
Non-Personnel	715	44	759	759	-
Total Council Administration	1,667	44	1,711	1,711	-
Office of the IBA					
Salaries and Wages	958	-	958	958	-
Non-Personnel	518	-	518	518	-
Total Office of the IBA	1,476	-	1,476	1,476	-

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 492	$ -	$ 492	$ 494	$ 2
-	-	-	1	1	271	5	276	283	7
-	-	-	1	1	763	5	768	777	9
-	-	-	-	-	63	-	63	115	52
-	-	-	-	-	28	-	28	66	38
-	-	-	-	-	91	-	91	181	90
-	-	-	-	-	515	-	515	515	-
-	-	-	-	-	390	-	390	391	1
-	-	-	-	-	905	-	905	906	1
-	-	-	-	-	483	-	483	483	-
-	-	-	-	-	320	-	320	320	-
-	-	-	-	-	803	-	803	803	-
-	-	-	-	-	555	-	555	555	-
1	-	1	1	-	402	-	402	402	-
1	-	1	1	-	957	-	957	957	-
-	-	-	-	-	568	-	568	568	-
-	-	-	-	-	440	-	440	440	-
-	-	-	-	-	1,008	-	1,008	1,008	-
-	-	-	-	-	500	-	500	500	-
-	-	-	-	-	354	-	354	354	-
-	-	-	-	-	854	-	854	854	-
-	-	-	-	-	521	-	521	521	-
-	-	-	-	-	375	-	375	375	-
-	-	-	-	-	896	-	896	896	-
-	-	-	-	-	589	-	589	589	-
-	-	-	-	-	401	-	401	401	-
-	-	-	-	-	990	-	990	990	-
-	-	-	-	-	530	-	530	530	-
-	-	-	-	-	423	-	423	423	-
-	-	-	-	-	953	-	953	953	-
-	-	-	-	-	952	-	952	952	-
43	-	43	78	35	758	44	802	837	35
43	-	43	78	35	1,710	44	1,754	1,789	35
-	-	-	-	-	958	-	958	958	-
-	-	-	-	-	518	-	518	518	-
-	-	-	-	-	1,476	-	1,476	1,476	-

Continued on Next Page

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
General Government and Support Departmental (Continued):					
City Attorney					
Salaries and Wages	$ 23,145	$ -	$ 23,145	$ 23,145	$ -
Non-Personnel	13,443	184	13,627	13,627	-
Total City Attorney	36,588	184	36,772	36,772	-
City Comptroller					
Salaries and Wages	6,482	-	6,482	6,482	-
Non-Personnel	4,725	147	4,872	4,872	-
Total City Comptroller	11,207	147	11,354	11,354	-
City Auditor					
Salaries and Wages	1,024	-	1,024	1,059	35
Non-Personnel	568	758	1,326	1,619	293
Total City Auditor	1,592	758	2,350	2,678	328
City Clerk					
Salaries and Wages	2,331	-	2,331	2,331	-
Non-Personnel	1,854	22	1,876	2,026	150
Total City Clerk	4,185	22	4,207	4,357	150
Office of the CIO					
Salaries and Wages	-	-	-	-	-
Non-Personnel	24,291	300	24,591	24,827	236
Total Office of the CIO	24,291	300	24,591	24,827	236
Engineering and Capital Projects Administration					
Salaries and Wages	1,706	-	1,706	1,990	284
Non-Personnel	1,842	3	1,845	1,999	154
Total Engineering and Capital Projects Administration	3,548	3	3,551	3,989	438
Field Engineering					
Salaries and Wages	10,633	-	10,633	10,639	6
Non-Personnel	6,726	299	7,025	7,122	97
Total Field Engineering	17,359	299	17,658	17,761	103
Public Buildings and Parks					
Salaries and Wages	4,220	-	4,220	4,222	2
Non-Personnel	2,394	312	2,706	2,706	-
Total Public Buildings and Parks	6,614	312	6,926	6,928	2
Project Implementation and Technical Services					
Salaries and Wages	6,410	-	6,410	7,370	960
Non-Personnel	4,497	73	4,570	4,825	255
Total Project Implementation and Technical Services	10,907	73	10,980	12,195	1,215
Budget and Management Services					
Salaries and Wages	2,133	-	2,133	2,145	12
Non-Personnel	1,738	2	1,740	1,741	1
Total Budget and Management Services	3,871	2	3,873	3,886	13
City Treasurer					
Salaries and Wages	6,011	-	6,011	6,333	322
Non-Personnel	6,615	678	7,293	7,384	91
Total City Treasurer	12,626	678	13,304	13,717	413
Financing Services					
Salaries and Wages	1,383	-	1,383	1,611	228
Non-Personnel	900	7	907	1,135	228
Total Financing Services	2,283	7	2,290	2,746	456
General Services - Administration					
Salaries and Wages	451	-	451	581	130
Non-Personnel	262	-	262	328	66
Total General Services - Administration	713	-	713	909	196

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 23,145	$ -	$ 23,145	$ 23,145	$ -
274	146	420	460	40	13,717	330	14,047	14,087	40
274	146	420	460	40	36,862	330	37,192	37,232	40
-	-	-	-	-	6,482	-	6,482	6,482	-
75	-	75	398	323	4,800	147	4,947	5,270	323
75	-	75	398	323	11,282	147	11,429	11,752	323
-	-	-	-	-	1,024	-	1,024	1,059	35
-	-	-	-	-	568	758	1,326	1,619	293
-	-	-	-	-	1,592	758	2,350	2,678	328
-	-	-	-	-	2,331	-	2,331	2,331	-
30	7	37	72	35	1,884	29	1,913	2,098	185
30	7	37	72	35	4,215	29	4,244	4,429	185
-	-	-	-	-	-	-	-	-	-
333	-	333	336	3	24,624	300	24,924	25,163	239
333	-	333	336	3	24,624	300	24,924	25,163	239
-	-	-	-	-	1,706	-	1,706	1,990	284
4	-	4	6	2	1,846	3	1,849	2,005	156
4	-	4	6	2	3,552	3	3,555	3,995	440
-	-	-	-	-	10,633	-	10,633	10,639	6
2	-	2	35	33	6,728	299	7,027	7,157	130
2	-	2	35	33	17,361	299	17,660	17,796	136
-	-	-	-	-	4,220	-	4,220	4,222	2
7	70	77	103	26	2,401	382	2,783	2,809	26
7	70	77	103	26	6,621	382	7,003	7,031	28
-	-	-	-	-	6,410	-	6,410	7,370	960
-	-	-	-	-	4,497	73	4,570	4,825	255
-	-	-	-	-	10,907	73	10,980	12,195	1,215
-	-	-	-	-	2,133	-	2,133	2,145	12
-	-	-	-	-	1,738	2	1,740	1,741	1
-	-	-	-	-	3,871	2	3,873	3,886	13
-	-	-	-	-	6,011	-	6,011	6,333	322
580	929	1,509	1,519	10	7,195	1,607	8,802	8,903	101
580	929	1,509	1,519	10	13,206	1,607	14,813	15,236	423
-	-	-	-	-	1,383	-	1,383	1,611	228
1	-	1	18	17	901	7	908	1,153	245
1	-	1	18	17	2,284	7	2,291	2,764	473
-	-	-	-	-	451	-	451	581	130
-	-	-	-	-	262	-	262	328	66
-	-	-	-	-	713	-	713	909	196

Continued on Next Page

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
General Government and Support Departmental (Continued):					
Station 38					
Salaries and Wages	$ 507	$ -	$ 507	$ 507	$ -
Non-Personnel	278	2	280	281	1
Total Station 38	785	2	787	788	1
Facilities Maintenance					
Salaries and Wages	5,546	-	5,546	5,546	-
Non-Personnel	7,996	112	8,108	8,181	73
Total Facilities Maintenance	13,542	112	13,654	13,727	73
General Services-Contracts Divsion					
Salaries and Wages	343	-	343	345	2
Non-Personnel	826	193	1,019	1,023	4
Total General Services-Contracts Division	1,169	193	1,362	1,368	6
Human Resources					
Salaries and Wages	1,049	-	1,049	1,049	-
Non-Personnel	747	19	766	766	-
Total Human Resources	1,796	19	1,815	1,815	-
Personnel					
Salaries and Wages	3,219	-	3,219	3,482	263
Non-Personnel	2,077	168	2,245	2,268	23
Total Personnel	5,296	168	5,464	5,750	286
Real Estate Assets					
Salaries and Wages	2,344	-	2,344	2,344	-
Non-Personnel	1,361	3	1,364	1,483	119
Total Real Estate Assets	3,705	3	3,708	3,827	119
Ethics Commission					
Salaries and Wages	608	-	608	608	-
Non-Personnel	340	7	347	347	-
Total Ethics Commission	948	7	955	955	-
Business Administration					
Salaries and Wages	1,072	-	1,072	1,072	-
Non-Personnel	808	15	823	824	1
Total Business Administration	1,880	15	1,895	1,896	1
Purchasing and Contracting/Contracts Processing					
Salaries and Wages	2,394	-	2,394	2,463	69
Non-Personnel	1,442	1	1,443	1,750	307
Total Purchasing and Contracting/Contracts Processing	3,836	1	3,837	4,213	376
Business Office					
Salaries and Wages	630	-	630	901	271
Non-Personnel	538	2	540	581	41
Total Business Office	1,168	2	1,170	1,482	312
Community and Legislative Services					
Salaries and Wages	2,138	-	2,138	2,138	-
Non-Personnel	1,834	6	1,840	1,843	3
Total Community and Legislative Services	3,972	6	3,978	3,981	3
Economic Growth Services					
Salaries and Wages	308	-	308	308	-
Non-Personnel	312	-	312	325	13
Total Economic Growth Services	620	-	620	633	13
Office of Ethics and Integrity					
Salaries and Wages	550	-	550	550	-
Non-Personnel	360	-	360	361	1
Total Office of Ethics and Integrity	910	-	910	911	1

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 507	$ -	$ 507	$ 507	$ -
-	-	-	-	-	278	2	280	281	1
-	-	-	-	-	785	2	787	788	1
-	-	-	-	-	5,546	-	5,546	5,546	-
182	-	182	232	50	8,178	112	8,290	8,413	123
182	-	182	232	50	13,724	112	13,836	13,959	123
-	-	-	-	-	343	-	343	345	2
997	486	1,483	1,505	22	1,823	679	2,502	2,528	26
997	486	1,483	1,505	22	2,166	679	2,845	2,873	28
-	-	-	-	-	1,049	-	1,049	1,049	-
-	-	-	2	2	747	19	766	768	2
-	-	-	2	2	1,796	19	1,815	1,817	2
-	-	-	-	-	3,219	-	3,219	3,482	263
65	-	65	132	67	2,142	168	2,310	2,400	90
65	-	65	132	67	5,361	168	5,529	5,882	353
-	-	-	-	-	2,344	-	2,344	2,344	-
184	34	218	348	130	1,545	37	1,582	1,831	249
184	34	218	348	130	3,889	37	3,926	4,175	249
-	-	-	-	-	608	-	608	608	-
6	-	6	8	2	346	7	353	355	2
6	-	6	8	2	954	7	961	963	2
-	-	-	-	-	1,072	-	1,072	1,072	-
-	-	-	-	-	808	15	823	824	1
-	-	-	-	-	1,880	15	1,895	1,896	1
-	-	-	-	-	2,394	-	2,394	2,463	69
1	-	1	28	27	1,443	1	1,444	1,778	334
1	-	1	28	27	3,837	1	3,838	4,241	403
-	-	-	-	-	630	-	630	901	271
-	-	-	-	-	538	2	540	581	41
-	-	-	-	-	1,168	2	1,170	1,482	312
-	-	-	-	-	2,138	-	2,138	2,138	-
1	-	1	19	18	1,835	6	1,841	1,862	21
1	-	1	19	18	3,973	6	3,979	4,000	21
-	-	-	-	-	308	-	308	308	-
-	-	-	-	-	312	-	312	325	13
-	-	-	-	-	620	-	620	633	13
-	-	-	-	-	550	-	550	550	-
64	194	258	301	43	424	194	618	662	44
64	194	258	301	43	974	194	1,168	1,212	44

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
General Government and Support Departmental (Continued):					
Department of Finance					
Salaries and Wages	$ 380	$ -	$ 380	$ 380	$ -
Non-Personnel	575	-	575	575	-
Total Department of Finance	955	-	955	955	-
City Planning and Development					
Salaries and Wages	140	-	140	162	22
Non-Personnel	90	-	90	105	15
Total City Planning and Development	230	-	230	267	37
Public Works					
Salaries and Wages	168	-	168	194	26
Non-Personnel	93	-	93	130	37
Total Public Works	261	-	261	324	63
Public Safety					
Salaries and Wages	290	-	290	290	-
Non-Personnel	307	-	307	307	-
Total Public Safety	597	-	597	597	-
Community Services					
Salaries and Wages	165	-	165	165	-
Non-Personnel	89	-	89	93	4
Total Community Services	254	-	254	258	4
Customer Service					
Salaries and Wages	722	-	722	722	-
Non-Personnel	547	-	547	547	-
Total Customer Service	1,269	-	1,269	1,269	-
Citywide Program Expenditures					
Non-Personnel	48,775	674	49,449	52,929	3,480
Total Citywide Program Expenditures	48,775	674	49,449	52,929	3,480
General Fund Appropriated Reserve					
Non-Personnel	-	-	-	8,377	8,377
Total General Fund Appropriated Reserve	-	-	-	8,377	8,377
TOTAL GENERAL GOVERNMENT AND SUPPORT	239,114	4,036	243,150	259,951	16,801
PUBLIC SAFETY - POLICE					
Departmental:					
Police					
Salaries and Wages	220,073	-	220,073	222,682	2,609
Non-Personnel	168,062	2,085	170,147	172,851	2,704
Total Police	388,135	2,085	390,220	395,533	5,313
TOTAL PUBLIC SAFETY - POLICE	388,135	2,085	390,220	395,533	5,313
PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY					
Departmental:					
Fire-Rescue					
Salaries and Wages	114,708	-	114,708	114,708	-
Non-Personnel	78,998	731	79,729	79,729	-
Total Fire-Rescue	193,706	731	194,437	194,437	-
Homeland Security					
Salaries and Wages	702	-	702	787	85
Non-Personnel	596	2	598	723	125
Total Homeland Security	1,298	2	1,300	1,510	210
TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY	195,004	733	195,737	195,947	210

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 380	$ -	$ 380	$ 380	$ -
-	-	-	15	15	575	-	575	590	15
-	-	-	15	15	955	-	955	970	15
-	-	-	-	-	140	-	140	162	22
-	-	-	-	-	90	-	90	105	15
-	-	-	-	-	230	-	230	267	37
-	-	-	-	-	168	-	168	194	26
-	-	-	-	-	93	-	93	130	37
-	-	-	-	-	261	-	261	324	63
-	-	-	-	-	290	-	290	290	-
95	-	95	147	52	402	-	402	454	52
95	-	95	147	52	692	-	692	744	52
-	-	-	-	-	165	-	165	165	-
-	-	-	-	-	89	-	89	93	4
-	-	-	-	-	254	-	254	258	4
-	-	-	-	-	722	-	722	722	-
39	-	39	129	90	586	-	586	676	90
39	-	39	129	90	1,308	-	1,308	1,398	90
959	175	1,134	2,767	1,633	49,734	849	50,583	55,696	5,113
959	175	1,134	2,767	1,633	49,734	849	50,583	55,696	5,113
-	-	-	659	659	-	-	-	9,036	9,036
-	-	-	659	659	-	-	-	9,036	9,036
3,943	2,041	5,984	9,319	3,335	243,057	6,077	249,134	269,270	20,136
-	-	-	-	-	220,073	-	220,073	222,682	2,609
1,255	299	1,554	3,068	1,514	169,317	2,384	171,701	175,919	4,218
1,255	299	1,554	3,068	1,514	389,390	2,384	391,774	398,601	6,827
1,255	299	1,554	3,068	1,514	389,390	2,384	391,774	398,601	6,827
-	-	-	-	-	114,708	-	114,708	114,708	-
566	-	566	1,007	441	79,564	731	80,295	80,736	441
566	-	566	1,007	441	194,272	731	195,003	195,444	441
-	-	-	-	-	702	-	702	787	85
26	-	26	212	186	622	2	624	935	311
26	-	26	212	186	1,324	2	1,326	1,722	396
592	-	592	1,219	627	195,596	733	196,329	197,166	837

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
PARKS, RECREATION, CULTURE AND LEISURE					
Departmental:					
Reservoir Concessions					
Non-Personnel	$ 2,179	$ -	$ 2,179	$ 2,183	$ 4
Parks and Recreation-Administrative Services					
Salaries and Wages	1,242	-	1,242	1,242	-
Non-Personnel	726	-	726	729	3
Total Parks and Recreation - Administration Services	1,968	-	1,968	1,971	3
Community Parks I					
Salaries and Wages	5,618	-	5,618	5,618	-
Non-Personnel	10,370	462	10,832	10,971	139
Total Community Parks I	15,988	462	16,450	16,589	139
Community Parks II					
Salaries and Wages	8,865	-	8,865	8,865	-
Non-Personnel	10,463	427	10,890	11,196	306
Total Community Parks II	19,328	427	19,755	20,061	306
Developed Regional Parks					
Salaries and Wages	12,978	-	12,978	13,201	223
Non-Personnel	20,077	1,268	21,345	21,394	49
Total Developed Regional Parks	33,055	1,268	34,323	34,595	272
Open Space Division					
Salaries and Wages	2,551	-	2,551	3,159	608
Non-Personnel	4,882	988	5,870	5,947	77
Total Open Space Division	7,433	988	8,421	9,106	685
Library					
Salaries and Wages	17,871	-	17,871	18,268	397
Non-Personnel	16,114	616	16,730	16,740	10
Total Library	33,985	616	34,601	35,008	407
TOTAL PARKS, RECREATION CULTURE AND LEISURE	113,936	3,761	117,697	119,513	1,816
TRANSPORTATION					
Departmental:					
Streets					
Salaries and Wages	11,236	-	11,236	11,236	-
Non-Personnel	32,957	2,530	35,487	35,487	-
Total Streets	44,193	2,530	46,723	46,723	-
Right-Of Way Design					
Salaries and Wages	8,201	-	8,201	8,241	40
Non-Personnel	4,890	77	4,967	5,075	108
Total Right-Of-Way Design	13,091	77	13,168	13,316	148
Transportation Engineering					
Salaries and Wages	3,705	-	3,705	4,026	321
Non-Personnel	2,684	243	2,927	3,364	437
Total Transportation Engineering	6,389	243	6,632	7,390	758
TOTAL TRANSPORTATION	63,673	2,850	66,523	67,429	906

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 2,179	$ -	$ 2,179	$ 2,183	$ 4
-	-	-	-	-	1,242	-	1,242	1,242	-
8	-	8	8	-	734	-	734	737	3
8	-	8	8	-	1,976	-	1,976	1,979	3
-	-	-	-	-	5,618	-	5,618	5,618	-
312	-	312	553	241	10,682	462	11,144	11,524	380
312	-	312	553	241	16,300	462	16,762	17,142	380
-	-	-	-	-	8,865	-	8,865	8,865	-
169	-	169	220	51	10,632	427	11,059	11,416	357
169	-	169	220	51	19,497	427	19,924	20,281	357
-	-	-	-	-	12,978	-	12,978	13,201	223
974	-	974	1,593	619	21,051	1,268	22,319	22,987	668
974	-	974	1,593	619	34,029	1,268	35,297	36,188	891
-	-	-	-	-	2,551	-	2,551	3,159	608
235	421	656	1,127	471	5,117	1,409	6,526	7,074	548
235	421	656	1,127	471	7,668	1,409	9,077	10,233	1,156
-	-	-	-	-	17,871	-	17,871	18,268	397
757	-	757	890	133	16,871	616	17,487	17,630	143
757	-	757	890	133	34,742	616	35,358	35,898	540
2,455	421	2,876	4,391	1,515	116,391	4,182	120,573	123,904	3,331
-	-	-	-	-	11,236	-	11,236	11,236	-
8,836	35	8,871	10,412	1,541	41,793	2,565	44,358	45,899	1,541
8,836	35	8,871	10,412	1,541	53,029	2,565	55,594	57,135	1,541
-	-	-	-	-	8,201	-	8,201	8,241	40
102	42	144	184	40	4,992	119	5,111	5,259	148
102	42	144	184	40	13,193	119	13,312	13,500	188
-	-	-	-	-	3,705	-	3,705	4,026	321
24	-	24	430	406	2,708	243	2,951	3,794	843
24	-	24	430	406	6,413	243	6,656	7,820	1,164
8,962	77	9,039	11,026	1,987	72,635	2,927	75,562	78,455	2,893

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
SANITATION AND HEALTH					
Departmental:					
Collection Services					
Salaries and Wages	$ 6,383	$ -	$ 6,383	$ 7,087	$ 704
Non-Personnel	27,337	358	27,695	27,843	148
Total Collection Services	33,720	358	34,078	34,930	852
Environmental Protection					
Salaries and Wages	1,032	-	1,032	1,053	21
Non-Personnel	753	-	753	753	-
Total Environmental Protection	1,785	-	1,785	1,806	21
Office of the Director					
Salaries and Wages	766	-	766	899	133
Non-Personnel	556	63	619	761	142
Total Office of the Director	1,322	63	1,385	1,660	275
Storm Water					
Salaries and Wages	5,734	-	5,734	8,184	2,450
Non-Personnel	16,373	12,624	28,997	31,315	2,318
Total Storm Water	22,107	12,624	34,731	39,499	4,768
Mt. Hope Cemetery					
Salaries and Wages	469	-	469	489	20
Non-Personnel	954	48	1,002	1,047	45
Total Mt. Hope Cemetery	1,423	48	1,471	1,536	65
TOTAL SANITATION AND HEALTH	60,357	13,093	73,450	79,431	5,981
NEIGHBORHOOD SERVICES:					
Family Justice Center					
Salaries and Wages	85	-	85	269	184
Non-Personnel	124	24	148	278	130
Total Family Justice Center	209	24	233	547	314
Neighborhood Code Compliance					
Salaries and Wages	3,683	-	3,683	3,683	-
Non-Personnel	2,768	72	2,840	2,840	-
Total Neighborhood Code Compliance	6,451	72	6,523	6,523	-
Neighborhood Services Departmental (Continued):					
Planning					
Salaries and Wages	5,679	-	5,679	6,913	1,234
Non-Personnel	4,246	1,170	5,416	5,416	-
Total Planning	9,925	1,170	11,095	12,329	1,234
TOTAL NEIGHBORHOOD SERVICES	16,585	1,266	17,851	19,399	1,548

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 6,383	$ -	$ 6,383	$ 7,087	$ 704
91	-	91	328	237	27,428	358	27,786	28,171	385
91	-	91	328	237	33,811	358	34,169	35,258	1,089
-	-	-	-	-	1,032	-	1,032	1,053	21
4	-	4	9	5	757	-	757	762	5
4	-	4	9	5	1,789	-	1,789	1,815	26
-	-	-	-	-	766	-	766	899	133
8	-	8	63	55	564	63	627	824	197
8	-	8	63	55	1,330	63	1,393	1,723	330
-	-	-	-	-	5,734	-	5,734	8,184	2,450
7,400	502	7,902	10,760	2,858	23,773	13,126	36,899	42,075	5,176
7,400	502	7,902	10,760	2,858	29,507	13,126	42,633	50,259	7,626
-	-	-	-	-	469	-	469	489	20
7	-	7	39	32	961	48	1,009	1,086	77
7	-	7	39	32	1,430	48	1,478	1,575	97
7,510	502	8,012	11,199	3,187	67,867	13,595	81,462	90,630	9,168
-	-	-	-	-	85	-	85	269	184
2	-	2	2	-	126	24	150	280	130
2	-	2	2	-	211	24	235	549	314
-	-	-	-	-	3,683	-	3,683	3,683	-
52	-	52	62	10	2,820	72	2,892	2,902	10
52	-	52	62	10	6,503	72	6,575	6,585	10
-	-	-	-	-	5,679	-	5,679	6,913	1,234
616	895	1,511	2,158	647	4,862	2,065	6,927	7,574	647
616	895	1,511	2,158	647	10,541	2,065	12,606	14,487	1,881
670	895	1,565	2,222	657	17,255	2,161	19,416	21,621	2,205

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
DEBT SERVICE					
Principal	$ 818	$ -	$ 818	$ 818	$ -
Interest	3,106	-	3,106	3,173	67
TOTAL DEBT SERVICE	3,924	-	3,924	3,991	67
TOTAL EXPENDITURES	1,080,728	27,824	1,108,552	1,141,194	32,642
TRANSFERS TO PROPRIETARY FUNDS					
Enterprise Funds:					
City of San Diego:					
Development Services	1,712	-	1,712	1,712	-
Recycling	483	-	483	483	-
Total Enterprise Funds	2,195	-	2,195	2,195	-
Internal Service Funds:					
City of San Diego:					
Fleet Services	1,810	-	1,810	1,810	-
Print Shop	31	-	31	31	-
Central Stores	7	-	7	7	-
Total Internal Service Funds	1,848	-	1,848	1,848	-
TOTAL TRANSFERS TO PROPRIETARY FUNDS	4,043	-	4,043	4,043	-
TRANSFERS TO OTHER FUNDS					
Special Revenue Funds:					
City of San Diego:					
Acquisition, Improvement and Operations	897	-	897	897	-
Police Decentralization	6,219	-	6,219	6,219	-
Other Special Revenue - Budgeted	3,528	-	3,528	3,528	-
Other Special Revenue - Unbudgeted	11,288	-	11,288	11,288	-
Total Special Revenue Funds	21,932	-	21,932	21,932	-
Capital Projects Funds:					
City of San Diego:					
Other Construction	2,845	-	2,845	2,845	-
Total Capital Projects Funds	2,845	-	2,845	2,845	-
TOTAL TRANSFERS TO OTHER FUNDS	24,777	-	24,777	24,777	-
TOTAL EXPENDITURES AND TRANSFERS	$ 1,109,548	$ 27,824	$ 1,137,372	$ 1,170,014	$ 32,642

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 818	$ -	$ 818	$ 818	$ -
-	-	-	-	-	3,106	-	3,106	3,173	67
-	-	-	-	-	3,924	-	3,924	3,991	67
25,387	4,235	29,622	42,444	12,822	1,106,115	32,059	1,138,174	1,183,638	45,464
-	-	-	-	-	1,712	-	1,712	1,712	-
-	-	-	-	-	483	-	483	483	-
-	-	-	-	-	2,195	-	2,195	2,195	-
-	-	-		-	1,810	-	1,810	1,810	-
-	-	-	-	-	31	-	31	31	-
-	-	-	-	-	7	-	7	7	-
-	-	-	-	-	1,848	-	1,848	1,848	-
-	-	-	-	-	4,043	-	4,043	4,043	-
-	-	-	-	-	897	-	897	897	-
-	-	-	-	-	6,219	-	6,219	6,219	-
-	-	-	-	-	3,528	-	3,528	3,528	-
-	-	-	-	-	11,288	-	11,288	11,288	-
-	-	-	-	-	21,932	-	21,932	21,932	-
1,254	-	1,254	1,254	-	4,099	-	4,099	4,099	-
1,254	-	1,254	1,254	-	4,099	-	4,099	4,099	-
1,254	-	1,254	1,254	-	26,031	-	26,031	26,031	-
$ 26,641	$ 4,235	$ 30,876	$ 43,698	$ 12,822	$ 1,136,189	$ 32,059	$ 1,168,248	$ 1,213,712	$ 45,464

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Non major Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2009
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
ASSETS					
Cash and Investments	$ 463,654	$ -	$ 622,154	$ -	$ 1,085,808
Receivables:					
Taxes - Net	13,766	2,855	-	-	16,621
Accounts - Net of Allowance for Uncollectibles (Special Revenue $26,606)	11,549	5,050	7,545	15	24,159
Claims - Net	16	-	-	-	16
Special Assessments	1,736	1,253	4	-	2,993
Notes	117,948	-	5,000	-	122,948
Accrued Interest	1,325	985	1,164	23	3,497
Grants	7,005	-	28,697	-	35,702
From Other Funds	25	-	1	-	26
Interfund Loan Receivable		33,460	-	-	33,460
Advances to Other Funds	7,359	-	600	-	7,959
Advances to Other Agencies	5,777	-	-	-	5,777
Land Held for Resale	11,875	-	27,538	-	39,413
Prepaid Items	1,278	-	73	-	1,351
Restricted Cash and Investments	-	415,680	-	15,867	431,547
TOTAL ASSETS	$ 643,313	$ 459,283	$ 692,776	$ 15,905	$ 1,811,277
LIABILITIES					
Accounts Payable	$ 24,379	$ -	$ 9,916	$ -	$ 34,295
Accrued Wages and Benefits	736	-	-	-	736
Other Accrued Liabilities	210	-	-	-	210
Due to Other Funds	4,166	-	1,827	-	5,993
Due to Other Agencies	36	-	152	-	188
Unearned Revenue	15,235	-	18,819	-	34,054
Deferred Revenue	20,287	6,129	32,368	-	58,784
Sundry Trust Liabilities	1,161	-	4,550	-	5,711
Advances from Other Funds	1,928	-	6,031	-	7,959
Interfund Loan Payable	4,273	12,094	20,580	-	36,947
TOTAL LIABILITES	72,411	18,223	94,243	-	184,877
FUND EQUITY:					
Fund Balances:					
Reserved for Land Held for Resale	11,875	-	27,538	-	39,413
Reserved for Notes Receivable	113,907	-	5,000	-	118,907
Reserved for Encumbrances	115,227	522	134,916	-	250,665
Reserved for Advances and Deposits	13,136	-	600	-	13,736
Reserved for Low and Moderate Income Housing	95,668	-	-	-	95,668
Reserved for Permanent Endowments	-	-	-	13,280	13,280
Reserved for Debt Service	-	175,302	-	-	175,302
Unreserved:					
Designated for Unrealized Gains	1,190	125	1,549	32	2,896
Designated for Debt Service	-	265,111	-	-	265,111
Designated for Subsequent Years' Expenditures	76,870	-	363,530	-	440,400
Undesignated	143,029	-	65,400	2,593	211,022
TOTAL FUND EQUITY	570,902	441,060	598,533	15,905	1,626,400
TOTAL LIABILITIES AND FUND EQUITY	$ 643,313	$ 459,283	$ 692,776	$ 15,905	$ 1,811,277

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2009
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
REVENUES					
Property Taxes	$ 60,345	$ 144,486	$ -	$ -	$ 204,831
Special Assessments	46,625	16,871	4	-	63,500
Sales Taxes	-	-	20,222	-	20,222
Transient Occupancy Taxes	66,892	-	-	-	66,892
Other Local Taxes	98,760	-	-	-	98,760
Licenses and Permits	1,158	-	6,942	-	8,100
Fines, Forfeitures and Penalties	1,939	-	-	-	1,939
Revenue from Use of Money and Property	33,391	11,460	22,238	(766)	66,323
Revenue from Federal Agencies	43,515	-	22,603	-	66,118
Revenue from Other Agencies	10,542	11,444	21,555	-	43,541
Revenue from Private Sources	2,911	-	18,560	122	21,593
Charges for Current Services	70,201	-	-	114	70,315
Other Revenue	18,338	-	2,077	-	20,415
TOTAL REVENUES	454,617	184,261	114,201	(530)	752,549
EXPENDITURES					
Current:					
General Government and Support	74,809	1,443	25,505	116	101,873
Public Safety - Police	17,267	-	-	-	17,267
Public Safety - Fire and Life Safety and Homeland Security	30,058	-	42	-	30,100
Parks, Recreation, Culture and Leisure	92,913	-	2,245	210	95,368
Transportation	67,096	-	23,238	-	90,334
Sanitation and Health	9,743	-	650	-	10,393
Neighborhood Services	39,880	-	16,650	-	56,530
Capital Projects	14,324	-	124,310	-	138,634
Debt Service:					
Principal Retirement	6,991	49,259	141	-	56,391
Interest	3,357	72,122	74	-	75,553
Cost of Issuance	-	1,001	-	-	1,001
TOTAL EXPENDITURES	356,438	123,825	192,855	326	673,444
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	98,179	60,436	(78,654)	(856)	79,105
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	1,918	-	61	-	1,979
Transfers from Other Funds	105,431	66,680	44,574	-	216,685
Transfers to Proprietary Funds	(1,123)	-	(1,424)	-	(2,547)
Transfers to Other Funds	(185,414)	(65,977)	(43,777)	(545)	(295,713)
Proceeds from the Sale of Capital Assets	-	-	2,157	-	2,157
Capital Leases	11,404	-	18,988	-	30,392
Contracts Issued	2,100	-	-	-	2,100
Loans Issued	5,885	-	4,598	-	10,483
Special Tax Bonds Issued	-	1,823	10,542	-	12,365
Revenue Bonds Issued	-	302	102,698	-	103,000
Discount on Bonds Issued	-	(129)	-	-	(129)
TOTAL OTHER FINANCING SOURCES (USES)	(59,799)	2,699	138,417	(545)	80,772
NET CHANGE IN FUND BALANCES	38,380	63,135	59,763	(1,401)	159,877
Fund Balances at Beginning of Year	532,522	377,925	538,770	17,306	1,466,523
FUND BALANCES AT END OF YEAR	$ 570,902	$ 441,060	$ 598,533	$ 15,905	$ 1,626,400

Non major Governmental Funds - Special Revenue

SPECIAL REVENUE FUNDS

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

CITY OF SAN DIEGO

ACQUISITION, IMPROVEMENT AND OPERATIONS

This Fund accounts for various operating activities including business improvement areas, lighting and landscape maintenance areas, facilities financing, and the City's public art program. Revenues are derived from business tax surcharges, special assessments on property, various rents, concessions and fees, and interest earnings derived there from.

ENVIRONMENTAL GROWTH

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

POLICE DECENTRALIZATION

This Fund accounts for monies allocated for Police department decentralization expenditures for temporary facilities and to devise future capital improvement projects. Revenues are derived from sales tax allocations.

PUBLIC TRANSPORTATION

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

QUALCOMM STADIUM OPERATIONS

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

SPECIAL GAS TAX STREET IMPROVEMENT

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

STREET DIVISION OPERATIONS

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

TRANSIENT OCCUPANCY TAX

This Fund was established to receive and expend transient occupancy taxes. Since 1964, a tax has been imposed on transients of hotel and motel rooms in the City of San Diego. Effective August 1994, the tax was increased from 9% to 10.5%.

UNDERGROUND SURCHARGE

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

ZOOLOGICAL EXHIBITS

This Fund was established to collect monies from a fixed property tax levy authorized by Section 77a of the City Charter for the maintenance of zoological exhibits. These funds are remitted in accordance with a contractual agreement with the San Diego Zoological Society, a not-for-profit corporation independent from the City of San Diego.

OTHER SPECIAL REVENUE - BUDGETED

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

GRANTS

This Fund was established to account for revenue received from federal, state and other governmental agencies. Expenditures are made and accounted for as prescribed by appropriate grant provisions/agreements.

OTHER SPECIAL REVENUE FUND - UNBUDGETED

This Fund was established to account for revenues earmarked for a variety of special programs administered by such departments as Engineering and Capital Projects, Libraries, Park and Recreation, and Police. Revenues in this fund are derived from such sources as parking fees, service charges, contributions from other agencies and private sources, and interest earnings.

BLENDED COMPONENT UNITS

CENTRE CITY DEVELOPMENT CORPORATION

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

PUBLIC FACILITIES FINANCING AUTHORITY

This Fund was established to account for the activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City and RDA, facilitates the financing, acquisition, and construction of public capital facility improvements of RDA and the City. PFFA's special revenue account is generally used to account for revenues from the Reassessment District Bond Fund and investment income used to pay for costs of issuance and administrative expenses related to debt redemption.

REDEVELOPMENT AGENCY

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

SAN DIEGO INDUSTRIAL DEVELOPMENT AUTHORITY

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

SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

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

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION

This fund was established to account for the activities of the Tobacco Settlement Revenue Funding Corporation (TSRFC). The TSRFC was established for the purpose of acquiring the Tobacco Settlement Revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's special revenue fund is used to account for the expenditures incurred for administrative services provided by the City of San Diego.

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
JUNE 30, 2009
(In Thousands)

	City of San Diego	Centre City Development Corporation
ASSETS		
Cash and Investments	$ 293,136	$ 851
Receivables:		
Taxes - Net	12,776	-
Accounts - Net of Allowance for Uncollectibles (City of San Diego $26,606)	10,541	834
Claims - Net	16	-
Special Assessments	1,736	-
Notes	4,041	-
Accrued Interest	760	-
Grants	7,005	-
From Other Funds	25	-
Advances to Other Funds	7,359	-
Advances to Other Agencies	5,777	-
Land Held for Resale	-	-
Prepaid Items	1,233	5
TOTAL ASSETS	$ 344,405	$ 1,690
LIABILITIES		
Accounts Payable	$ 24,253	$ -
Accrued Wages and Benefits	700	-
Other Accrued Liabilities	-	210
Due to Other Funds	4,166	-
Due to Other Agencies	36	-
Unearned Revenue	15,233	-
Deferred Revenue	20,287	-
Sundry Trust Liabilities	-	-
Advances from Other Funds	-	-
Interfund Loan Payable	-	-
TOTAL LIABILITIES	64,675	210
FUND EQUITY:		
Fund Balances:		
Reserved for Land Held for Resale	-	-
Reserved for Notes Receivable	-	-
Reserved for Encumbrances	39,386	-
Reserved for Advances and Deposits	13,136	-
Reserved for Low and Moderate Income Housing	-	-
Unreserved:		
Designated for Unrealized Gains	1,190	-
Designated for Subsequent Years' Expenditures	76,855	-
Undesignated	149,163	1,480
TOTAL FUND EQUITY	279,730	1,480
TOTAL LIABILITIES AND FUND EQUITY	$ 344,405	$ 1,690

Public Facilities Financing Authority	Redevelopment Agency	San Diego Industrial Development Authority	Southeastern Economic Development Corporation	Tobacco Settlement Revenue Funding Corporation	Total
$ 476	$ 168,749	$ 64	$ 188	$ 190	$ 463,654
-	990	-	-	-	13,766
-	-	-	174	-	11,549
-	-	-	-	-	16
-	-	-	-	-	1,736
-	113,907	-	-	-	117,948
-	565	-	-	-	1,325
-	-	-	-	-	7,005
-	-	-	-	-	25
-	-	-	-	-	7,359
-	-	-	-	-	5,777
-	11,875	-	-	-	11,875
-	3	-	37	-	1,278
$ 476	$ 296,089	$ 64	$ 399	$ 190	$ 643,313
$ -	$ 101	$ -	$ 25	$ -	$ 24,379
-	-	-	36	-	736
-	-	-	-	-	210
-	-	-	-	-	4,166
-	-	-	-	-	36
-	2	-	-	-	15,235
-	-	-	-	-	20,287
-	1,161	-	-	-	1,161
-	1,928	-	-	-	1,928
-	4,273	-	-	-	4,273
-	7,465	-	61	-	72,411
-	11,875	-	-	-	11,875
-	113,907	-	-	-	113,907
11	75,830	-	-	-	115,227
-	-	-	-	-	13,136
-	95,668	-	-	-	95,668
-	-	-	-	-	1,190
-	-	15	-	-	76,870
465	(8,656)	49	338	190	143,029
476	288,624	64	338	190	570,902
$ 476	$ 296,089	$ 64	$ 399	$ 190	$ 643,313

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2009
(In Thousands)

	City of San Diego	Centre City Development Corporation
REVENUES		
Property Taxes	$ 9,947	$ -
Special Assessments	46,625	-
Transient Occupancy Taxes	66,892	-
Other Local Taxes	98,760	-
Licenses and Permits	1,158	-
Fines, Forfeitures and Penalties	1,939	-
Revenue from Use of Money and Property	27,166	-
Revenue from Federal Agencies	43,515	-
Revenue from Other Agencies	10,542	-
Revenue from Private Sources	2,911	-
Charges for Current Services	59,855	8,042
Other Revenue	16,402	32
TOTAL REVENUES	385,712	8,074
EXPENDITURES		
Current:		
General Government and Support	36,046	7,799
Public Safety - Police	17,267	-
Public Safety - Fire and Life Safety	30,058	-
Parks, Recreation, Culture and Leisure	92,913	-
Transportation	67,096	-
Sanitation and Health	9,743	-
Neighborhood Services	27,195	-
Capital Projects	14,324	-
Debt Service:		
Principal Retirement	6,991	-
Interest	3,357	-
TOTAL EXPENDITURES	304,990	7,799
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	80,722	275
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds	1,918	-
Transfers from Other Funds	67,428	280
Transfers to Proprietary Funds	(1,123)	-
Transfers to Other Funds	(147,847)	(275)
Capital Leases	11,404	-
Contracts Issued	-	-
Loans Issued	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(68,220)	5
NET CHANGE IN FUND BALANCES	12,502	280
Fund Balances at Beginning of Year	267,228	1,200
FUND BALANCES AT END OF YEAR	$ 279,730	$ 1,480

Public Facilities Financing Authority	Redevelopment Agency	San Diego Industrial Development Authority	Southeastern Economic Development Corporation	Tobacco Settlement Revenue Funding Corporation	Total
$ -	$ 50,398	$ -	$ -	$ -	$ 60,345
-	-	-	-	-	46,625
-	-	-	-	-	66,892
-	-	-	-	-	98,760
-	-	-	-	-	1,158
-	-	-	-	-	1,939
1	6,220	3	-	1	33,391
-	-	-	-	-	43,515
-	-	-	-	-	10,542
-	-	-	-	-	2,911
-	-	-	2,304	-	70,201
-	1,904	-	-	-	18,338
1	58,522	3	2,304	1	454,617
91	28,508	-	2,297	68	74,809
-	-	-	-	-	17,267
-	-	-	-	-	30,058
-	-	-	-	-	92,913
-	-	-	-	-	67,096
-	-	-	-	-	9,743
-	12,685	-	-	-	39,880
-	-	-	-	-	14,324
-	-	-	-	-	6,991
-	-	-	-	-	3,357
91	41,193	-	2,297	68	356,438
(90)	17,329	3	7	(67)	98,179
-		-	-	-	1,918
260	37,407	-	-	56	105,431
-	-	-	-	-	(1,123)
-	(37,292)	-	-	-	(185,414)
-	-	-	-	-	11,404
-	2,100	-	-	-	2,100
-	5,885	-	-	-	5,885
260	8,100	-	-	56	(59,799)
170	25,429	3	7	(11)	38,380
306	263,195	61	331	201	532,522
$ 476	$ 288,624	$ 64	$ 338	$ 190	$ 570,902

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009
(In Thousands)

	City of San Diego	
	Actual on Budgetary Basis	Final Budget
REVENUES		
Property Taxes	$ 9,877	$ 9,680
Special Assessments	46,625	20,655
Transient Occupance Taxes	66,892	74,718
Other Local Taxes	98,765	100,715
Licenses and Permits	1,158	1,419
Fines, Forfeitures and Penalties	1,379	1,165
Revenue from Use of Money and Property	10,470	3,209
Revenue from Federal Agencies	1,335	1,000
Revenue from Other Agencies	6,250	26,421
Revenue from Private Sources	799	1,073
Charges for Current Services	40,247	45,399
Other Revenue	1,430	104
TOTAL REVENUES	285,227	285,558
EXPENDITURES		
Current:		
General Government and Support	23,038	30,111
Public Safety - Police	10,975	16,346
Public Safety - Fire and Life Safety	8,085	8,999
Parks, Recreation, Culture and Leisure	93,961	131,023
Transportation	48,005	58,615
Sanitation and Health	7,515	8,745
Neighborhood Services	12,156	13,248
Capital Projects	6,670	27,597
Debt Service:		
Principal Retirement	4,627	5,943
Interest	1,391	347,455
TOTAL EXPENDITURES	216,423	648,082
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	68,804	(362,524)
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds	893	809
Transfers from Other Funds	43,727	80,483
Transfers to Proprietary Funds	(8)	(500)
Transfers to Other Funds	(129,216)	(166,038)
Capital Leases	526	-
TOTAL OTHER FINANCING SOURCES (USES)	(84,078)	(85,246)
NET CHANGE IN FUND BALANCES	(15,274)	(447,770)
Fund Balances Undesignated at July 1, 2008	80,258	80,258
Reserved for Encumbrances at July 1, 2008	14,057	14,057
Designated for Subsequent Years' Expenditures at July 1, 2008	33,207	33,207
Designated for Subsequent Years' Expenditures at June 30, 2009	(30,851)	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2009	$ 81,397	$ (320,248)

Centre City Development Corporation		Southeastern Economic Development Corporation		Total		
Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ 9,877	$ 9,680	$ 197
-	-	-	-	46,625	20,655	25,970
-	-	-	-	66,892	74,718	(7,826)
-	-	-	-	98,765	100,715	(1,950)
-	-	-	-	1,158	1,419	(261)
-	-	-	-	1,379	1,165	214
-	-	-	-	10,470	3,209	7,261
-	-	-	-	1,335	1,000	335
-	-	-	-	6,250	26,421	(20,171)
-	-	-	-	799	1,073	(274)
8,042	10,477	2,304	2,717	50,593	58,593	(8,000)
32	-	-	-	1,462	104	1,358
8,074	10,477	2,304	2,717	295,605	298,752	(3,147)
7,799	10,202	2,297	2,717	33,134	43,030	9,896
-	-	-	-	10,975	16,346	5,371
-	-	-	-	8,085	8,999	914
-	-	-	-	93,961	131,023	37,062
-	-	-	-	48,005	58,615	10,610
-	-	-	-	7,515	8,745	1,230
-	-	-	-	12,156	13,248	1,092
-	-	-	-	6,670	27,597	20,927
-	-	-	-	4,627	5,943	1,316
-	-	-	-	1,391	347,455	346,064
7,799	10,202	2,297	2,717	226,519	661,001	434,482
275	275	7	-	69,086	(362,249)	431,335
-	-	-	-	893	809	84
280	-	-	-	44,007	80,483	(36,476)
-	-	-	-	(8)	(500)	492
(275)	(275)	-	-	(129,491)	(166,313)	36,822
-	-	-	-	526	-	-
5	(275)	-	-	(84,073)	(85,521)	922
280	-	7	-	(14,987)	(447,770)	432,257
1,200	1,200	331	331	81,789	81,789	-
-	-	-	-	14,057	14,057	-
-	-	-	-	33,207	33,207	-
-	-	-	-	(30,851)	-	(30,851)
$ 1,480	$ 1,200	$ 338	$ 331	$ 83,215	$ (318,717)	$ 401,406

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
JUNE 30, 2009
(In Thousands)

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Police Decentralization	Public Transportation	Qualcomm Stadium Operations
ASSETS					
Cash and Investments	$ 35,672	$ 574	$ 5,610	$ 5,762	$ 4,903
Receivables:					
Taxes - Net	-	3,304	-	-	-
Accounts - Net of Allowance for Uncollectibles (TOT $25,103, Acquisition, Improvement and Operations $676, Other - Unbudgeted $827)	659	-	-	-	384
Claims - Net	15	-	-	-	-
Special Assessments	1,543	-	-	-	-
Notes	-	-	-	-	-
Accrued Interest	128	33	-	19	12
Grants	-	-	-	-	-
From Other Funds	-	-	-	-	-
Advances to Other Funds	-	-	-	-	-
Advances to Other Agencies	5,630	-	-	-	-
Prepaid Items	13	-	-	-	-
TOTAL ASSETS	$ 43,660	$ 3,911	$ 5,610	$ 5,781	$ 5,299
LIABILITIES					
Accounts Payable	$ 165	$ 3	$ 4,972	$ -	$ 1,733
Accrued Wages and Benefits	67	-	-	-	98
Due to Other Funds	-	-	-	-	-
Due to Other Agencies	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Deferred Revenue	1,018	-	-	-	384
TOTAL LIABILITIES	1,250	3	4,972	-	2,215
FUND EQUITY:					
Fund Balances:					
Reserved for Encumbrances	2,180	809	-	-	1,351
Reserved for Advances and Deposits	5,630	-	-	-	-
Unreserved:					
Designated for Unrealized Gains	199	4	-	31	24
Designated for Subsequent Years' Expenditures	514	2,261	-	-	-
Undesignated	33,887	834	638	5,750	1,709
TOTAL FUND EQUITY	42,410	3,908	638	5,781	3,084
TOTAL LIABILITIES AND FUND EQUITY	$ 43,660	$ 3,911	$ 5,610	$ 5,781	$ 5,299

Special Gas Tax Street Improvement	Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Unbudgeted Grants	Unbudgeted Other Special Revenue	Total
$ 798	$ 780	$ 19,082	$ 34,598	$ 7,590	$ 28,689	$ 16,014	$ 133,064	$ 293,136
-	-	6,743	-	-	2,729	-	-	12,776
47	-	6,563	-	-	1,685	-	1,203	10,541
1	-	-	-	-	-	-	-	16
-	-	-	-	125	-	-	68	1,736
-	-	-	-	-	-	-	4,041	4,041
14	1	43	116	-	53	81	260	760
-	-	-	-	-	-	7,005	-	7,005
-	-	-	-	-	-	-	25	25
-	-	-	-	-	-	-	7,359	7,359
-	-	-	-	-	-	50	97	5,777
-	-	131	1	-	1,060	-	28	1,233
$ 860	$ 781	$ 32,562	$ 34,715	$ 7,715	$ 34,216	$ 23,150	$ 146,145	$ 344,405
$ -	$ -	$ 677	$ 7,141	$ 7,503	$ 54	$ 1,039	$ 966	$ 24,253
6	-	31	19	-	478	-	1	700
-	-	8	7	-	329	195	3,627	4,166
-	-	-	-	-	-	36	-	36
-	-	-	-	-	-	9,745	5,488	15,233
48	-	6,562	-	-	908	6,050	5,317	20,287
54	-	7,278	7,167	7,503	1,769	17,065	15,399	64,675
-	426	4,740	4,457	-	10,376	957	14,090	39,386
-	-	-	-	-	-	50	7,456	13,136
4	2	93	187	-	138	48	460	1,190
-	328	89	20,473	-	7,186	-	46,004	76,855
802	25	20,362	2,431	212	14,747	5,030	62,736	149,163
806	781	25,284	27,548	212	32,447	6,085	130,746	279,730
$ 860	$ 781	$ 32,562	$ 34,715	$ 7,715	$ 34,216	$ 23,150	$ 146,145	$ 344,405

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Police Decentralization	Public Transportation	Qualcomm Stadium Operations
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	46,625	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	13,480	-	-	-
Licenses and Permits	1,158	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	1,193	193	111	130	98
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	17	-	-	-	-
Charges for Current Services	2,666	-	-	-	9,188
Other Revenue	135	-	-	-	1,106
TOTAL REVENUES	51,794	13,673	111	130	10,392
EXPENDITURES					
Current:					
General Government and Support	1,531	-	-	-	-
Public Safety - Police	-	-	7,923	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	32,735	5,313	-	-	13,364
Transportation	-	-	-	31	-
Sanitation and Health	-	-	-	-	-
Neighborhood Services	8,939	-	-	-	-
Capital Projects	130	182	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	105
Interest	-	-	-	-	5
TOTAL EXPENDITURES	43,335	5,495	7,923	31	13,474
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,459	8,178	(7,812)	99	(3,082)
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	17	11	-	-	-
Transfers from Other Funds	2,550	14	6,219	4,008	9,825
Transfers to Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(51)	(9,822)	(111)	(1,228)	(5,683)
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,516	(9,797)	6,108	2,780	4,142
NET CHANGE IN FUND BALANCES	10,975	(1,619)	(1,704)	2,879	1,060
Fund Balances at Beginning of Year	31,435	5,527	2,342	2,902	2,024
FUND BALANCES AT END OF YEAR	$ 42,410	$ 3,908	$ 638	$ 5,781	$ 3,084

						Unbudgeted		
Special Gas Tax Street Improvement	Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Grants	Other Special Revenue	Total
$ -	$ -	$ -	$ -	$ 9,877	$ -	$ -	$ 70	$ 9,947
-	-	-	-	-	-	-	-	46,625
-	-	66,892	-	-	-	-	-	66,892
27,462	-	55	47,308	-	10,455	-	-	98,760
-	-	-	-	-	-	-	-	1,158
-	-	-	-	-	1,379	-	560	1,939
250	31	2,965	1,223	125	4,172	1,284	15,391	27,166
-	-	-	-	-	1,335	42,180	-	43,515
-	-	4,500	-	-	1,750	3,495	797	10,542
-	-	782	-	-	-	-	2,112	2,911
13	-	104	-	-	28,276	-	19,608	59,855
-	-	27	-	-	162	1,776	13,196	16,402
27,725	31	75,325	48,531	10,002	47,529	48,735	51,734	385,712
83	-	212	693	-	17,817	1,461	14,249	36,046
-	-	-	-	-	2,880	6,426	38	17,267
-	-	-	-	-	6,320	10,164	13,574	30,058
46	-	23,241	-	11,503	203	1,364	5,144	92,913
2	11	-	47,432	-	-	108	19,512	67,096
-	-	5,905	-	-	1,393	1,409	1,036	9,743
-	-	-	-	-	3,216	5,633	9,407	27,195
-	55	27	1,115	-	-	6,757	6,058	14,324
-	-	-	-	-	4,522	1,665	699	6,991
-	-	-	-	-	1,386	1,419	547	3,357
131	66	29,385	49,240	11,503	37,737	36,406	70,264	304,990
27,594	(35)	45,940	(709)	(1,501)	9,792	12,329	(18,530)	80,722
-	-	57	-	-	808	-	1,025	1,918
4	-	14,557	-	119	6,431	482	23,219	67,428
-	-	-	-	-	(8)	(476)	(639)	(1,123)
(27,854)	(16)	(67,314)	(9)	(125)	(9,460)	(1,455)	(24,719)	(147,847)
-	-	-	-	-	526	-	10,878	11,404
(27,850)	(16)	(52,700)	(9)	(6)	(1,703)	(1,449)	9,764	(68,220)
(256)	(51)	(6,760)	(718)	(1,507)	8,089	10,880	(8,766)	12,502
1,062	832	32,044	28,266	1,719	24,358	(4,795)	139,512	267,228
$ 806	$ 781	$ 25,284	$ 27,548	$ 212	$ 32,447	$ 6,085	$ 130,746	$ 279,730

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Acquisition, Improvement and Operations				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	46,625	-	46,625	20,655	25,970
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	1,158	-	1,158	1,419	(261)
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	1,193	10	1,203	416	787
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	21,421	(21,421)
Revenue from Private Sources	17	-	17	30	(13)
Charges for Current Services	2,666	-	2,666	2,933	(267)
Other Revenue	135	-	135	58	77
TOTAL REVENUES	51,794	10	51,804	46,932	4,872
EXPENDITURES					
Current:					
General Government and Support	1,531	2,024	3,555	2,151	(1,404)
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	32,735	3,460	36,195	57,285	21,090
Transportation	-	-	-	-	-
Sanitation and Health	-	-	-	-	-
Neighborhood Services	8,939	(3)	8,936	9,930	994
Capital Projects	130	-	130	1,612	1,482
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	43,335	5,481	48,816	70,978	22,162
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,459	(5,471)	2,988	(24,046)	27,034
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	17	-	17	-	17
Transfers from Other Funds	2,550	-	2,550	2,704	(154)
Transfers to Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(51)	-	(51)	(170)	119
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,516	-	2,516	2,534	(18)
NET CHANGE IN FUND BALANCES	$ 10,975	$ (5,471)	5,504	(21,512)	27,016
Fund Balances Undesignated at July 1, 2008			25,967	25,967	-
Reserved for Encumbrances at July 1, 2008			1,906	1,906	-
Designated for Subsequent Years' Expenditures at July 1, 2008			1,024	1,024	-
Designated for Subsequent Years' Expenditures at June 30, 2009			(514)	-	(514)
FUND BALANCES UNDESIGNATED AT JUNE 30, 2009			$ 33,887	$ 7,385	$ 26,502

Environmental Growth					Police Decentralization				
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)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
13,480	-	13,480	14,141	(661)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
193	9	202	110	92	111	-	111	-	111
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
13,673	9	13,682	14,251	(569)	111	-	111	-	111
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	7,923	-	7,923	11,423	3,500
-	-	-	-	-	-	-	-	-	-
5,313	-	5,313	3,599	(1,714)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
182	809	991	7,725	6,734	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
5,495	809	6,304	11,324	5,020	7,923	-	7,923	11,423	3,500
8,178	(800)	7,378	2,927	4,451	(7,812)	-	(7,812)	(11,423)	3,611
11	-	11	-	11	-	-	-	-	-
14	-	14	-	14	6,219	-	6,219	6,219	-
-	-	-	-	-	-	-	-	-	-
(9,822)	-	(9,822)	(9,822)	-	(111)	-	(111)	(111)	-
-	-	-	-	-	-	-	-	-	-
(9,797)	-	(9,797)	(9,822)	25	6,108	-	6,108	6,108	-
$ (1,619)	$ (800)	(2,419)	(6,895)	4,476	$ (1,704)	$ -	(1,704)	(5,315)	3,611
		2,714	2,714	-			-	-	-
		617	617	-			2,342	2,342	-
		2,183	2,183	-			-	-	-
		(2,261)	-	(2,261)			-	-	-
		$ 834	$ (1,381)	$ 2,215			$ 638	$ (2,973)	$ 3,611

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) CONTINUED
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Public Transportation				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	130	(14)	116	-	116
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	-	-	-	-	-
Charges for Current Services	-	-	-	-	-
Other Revenue	-	-	-	-	-
TOTAL REVENUES	130	(14)	116	-	116
EXPENDITURES					
Current:					
General Government and Support	-	-	-	-	-
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	-	-	-	-	-
Transportation	31	-	31	2,889	2,858
Sanitation and Health	-	-	-	-	-
Neighborhood Services	-	-	-	-	-
Capital Projects	-	-	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	31	-	31	2,889	2,858
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	99	(14)	85	(2,889)	2,974
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	-	-	-	-	-
Transfers from Other Funds	4,008	-	4,008	4,008	-
Transfers to Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(1,228)	-	(1,228)	(1,228)	-
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,780	-	2,780	2,780	-
NET CHANGE IN FUND BALANCES	$ 2,879	$ (14)	2,865	(109)	2,974
Fund Balances Undesignated at July 1, 2008			2,875	2,875	-
Reserved for Encumbrances at July 1, 2008			10	10	-
Designated for Subsequent Years' Expenditures at July 1, 2008			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2009			-	-	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2009			$ 5,750	$ 2,776	$ 2,974

Qualcomm Stadium Operations					Special Gas Tax Street Improvement				
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)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	27,462	-	27,462	27,589	(127)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
98	(5)	93	35	58	250	8	258	349	(91)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
9,188	-	9,188	9,271	(83)	13	-	13	-	13
1,106	-	1,106	46	1,060	-	-	-	-	-
10,392	(5)	10,387	9,352	1,035	27,725	8	27,733	27,938	(205)
-	-	-	-	-	83	-	83	83	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
13,364	1,351	14,715	15,453	738	46	-	46	46	-
-	-	-	-	-	2	-	2	2	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
105	-	105	105	-	-	-	-	-	-
5	-	5	6	1	-	-	-	-	-
13,474	1,351	14,825	15,564	739	131	-	131	131	-
(3,082)	(1,356)	(4,438)	(6,212)	1,774	27,594	8	27,602	27,807	(205)
-	-	-	-	-	-	-	-	-	-
9,825	-	9,825	9,825	-	4	-	4	-	4
-	-	-	-	-	-	-	-	-	-
(5,683)	-	(5,683)	(5,683)	-	(27,854)	-	(27,854)	(27,854)	-
-	-	-	-	-	-	-	-	-	-
4,142	-	4,142	4,142	-	(27,850)	-	(27,850)	(27,854)	4
$ 1,060	$ (1,356)	(296)	(2,070)	1,774	$ (256)	$ 8	(248)	(47)	(201)
		3	3	-			1,003	1,003	-
		496	496	-			-	-	-
		1,506	1,506	-			47	47	-
		-	-	-			-	-	-
		$ 1,709	$ (65)	$ 1,774			$ 802	$ 1,003	$ (201)

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) CONTINUED
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Street Division Operations				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	31	-	31	-	31
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	-	-	-	-	-
Charges for Current Services	-	-	-	-	-
Other Revenue	-	-	-	-	-
TOTAL REVENUES	31	-	31	-	31
EXPENDITURES					
Current:					
General Government and Support	-	-	-	-	-
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	-	-	-	-	-
Transportation	11	417	428	11	(417)
Sanitation and Health	-	-	-	-	-
Neighborhood Services	-	-	-	-	-
Capital Projects	55	9	64	392	328
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	66	426	492	403	(89)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(35)	(426)	(461)	(403)	(58)
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	-	-	-	-	-
Transfers from Other Funds	-	-	-	-	-
Transfers to Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(16)	-	(16)	(16)	-
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(16)	-	(16)	(16)	-
NET CHANGE IN FUND BALANCES	$ (51)	$ (426)	(477)	(419)	(58)
Fund Balances Undesignated at July 1, 2008			427	427	-
Reserved for Encumbrances at July 1, 2008			9	9	-
Designated for Subsequent Years' Expenditures at July 1, 2008			394	394	-
Designated for Subsequent Years' Expenditures at June 30, 2009			(328)	-	(328)
FUND BALANCES UNDESIGNATED AT JUNE 30, 2009			$ 25	$ 411	$ (386)

Transient Occupancy Tax					Underground Surcharge				
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)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-	-
66,892	-	66,892	74,718	(7,826)	-	-	-	-	-
55	-	55	50	5	47,308	5	47,313	48,366	(1,053)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
2,965	33	2,998	1,915	1,083	1,223	-	1,223	-	1,223
-	-	-	-	-	-	-	-	-	-
4,500	-	4,500	4,500	-	-	-	-	-	-
782	-	782	1,043	(261)	-	-	-	-	-
104	-	104	3,137	(3,033)	-	-	-	89	(89)
27	-	27	-	27	-	-	-	-	-
75,325	33	75,358	85,363	(10,005)	48,531	5	48,536	48,455	81
212	-	212	299	87	693	2	695	1,176	481
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
23,241	2,745	25,986	42,909	16,923	-	-	-	-	-
-	-	-	-	-	47,432	112	47,544	55,713	8,169
5,905	-	5,905	6,719	814	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
27	-	27	105	78	1,115	4,343	5,458	17,763	12,305
		-							
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
29,385	2,745	32,130	50,032	17,902	49,240	4,457	53,697	74,652	20,955
45,940	(2,712)	43,228	35,331	7,897	(709)	(4,452)	(5,161)	(26,197)	21,036
57	-	57	-	57	-	-	-	-	-
14,557	-	14,557	50,958	(36,401)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(67,314)	-	(67,314)	(102,986)	35,672	(9)	-	(9)	(9)	-
-	-	-	-	-	-	-	-	-	-
(52,700)	-	(52,700)	(52,028)	(672)	(9)	-	(9)	(9)	-
$ (6,760)	$ (2,712)	(9,472)	(16,697)	7,225	$ (718)	$ (4,452)	(5,170)	(26,206)	21,036
		24,159	24,159	-			1,868	1,868	-
		5,551	5,551	-			1,821	1,821	-
		213	213	-			24,385	24,385	-
		(89)	-	(89)			(20,473)	-	(20,473)
		$ 20,362	$ 13,226	$ 7,136			$ 2,431	$ 1,868	$ 563

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) CONTINUED
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Zoological Exhibits				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ 9,877	$ -	$ 9,877	$ 9,680	$ 197
Special Assessments	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	125	-	125	-	125
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	-	-	-	-	-
Charges for Current Services	-	-	-	-	-
Other Revenue	-	-	-	-	-
TOTAL REVENUES	10,002	-	10,002	9,680	322
EXPENDITURES					
Current:					
General Government and Support	-	-	-	-	-
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	11,503	-	11,503	11,503	-
Transportation	-	-	-	-	-
Sanitation and Health	-	-	-	-	-
Neighborhood Services	-	-	-	-	-
Capital Projects	-	-	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	11,503	-	11,503	11,503	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,501)	-	(1,501)	(1,823)	322
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	-	-	-	-	-
Transfers from Other Funds	119	-	119	-	119
Transfers to Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(125)	-	(125)	(125)	-
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(6)	-	(6)	(125)	119
NET CHANGE IN FUND BALANCES	$ (1,507)	$ -	(1,507)	(1,948)	441
Fund Balances Undesignated at July 1, 2008			1,719	1,719	-
Reserved for Encumbrances at July 1, 2008			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2008			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2009			-	-	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2009			$ 212	$ (229)	$ 441

Other Special Revenue					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)
$ -	$ -	$ -	$ -	$ -	$ 9,877	$ -	$ 9,877	$ 9,680	$ 197
-	-	-	-	-	46,625	-	46,625	20,655	25,970
-	-	-	-	-	66,892	-	66,892	74,718	(7,826)
10,455	-	10,455	10,569	(114)	98,760	5	98,765	100,715	(1,950)
-	-	-	-	-	1,158	-	1,158	1,419	(261)
1,379	-	1,379	1,165	214	1,379	-	1,379	1,165	214
4,172	(62)	4,110	384	3,726	10,491	(21)	10,470	3,209	7,261
1,335	-	1,335	1,000	335	1,335	-	1,335	1,000	335
1,750	-	1,750	500	1,250	6,250	-	6,250	26,421	(20,171)
-	-	-	-	-	799	-	799	1,073	(274)
28,276	-	28,276	29,969	(1,693)	40,247	-	40,247	45,399	(5,152)
162	-	162	-	162	1,430	-	1,430	104	1,326
47,529	(62)	47,467	43,587	3,880	285,243	(16)	285,227	285,558	(331)
17,817	676	18,493	26,402	7,909	20,336	2,702	23,038	30,111	7,073
2,880	172	3,052	4,923	1,871	10,803	172	10,975	16,346	5,371
6,320	1,765	8,085	8,999	914	6,320	1,765	8,085	8,999	914
203	-	203	228	25	86,405	7,556	93,961	131,023	37,062
-	-	-	-	-	47,476	529	48,005	58,615	10,610
1,393	217	1,610	2,026	416	7,298	217	7,515	8,745	1,230
3,216	4	3,220	3,318	98	12,155	1	12,156	13,248	1,092
-	-	-	-	-	1,509	5,161	6,670	27,597	20,927
4,522	-	4,522	5,838	1,316	4,627	-	4,627	5,943	1,316
1,386	-	1,386	347,449	346,063	1,391	-	1,391	347,455	346,064
37,737	2,834	40,571	399,183	358,612	198,320	18,103	216,423	648,082	431,659
9,792	(2,896)	6,896	(355,596)	362,492	86,923	(18,119)	68,804	(362,524)	431,328
808	-	808	809	(1)	893	-	893	809	84
6,431	-	6,431	6,769	(338)	43,727	-	43,727	80,483	(36,756)
(8)	-	(8)	(500)	492	(8)	-	(8)	(500)	492
(9,460)	(7,543)	(17,003)	(18,034)	1,031	(121,673)	(7,543)	(129,216)	(166,038)	36,822
526	-	526	-	526	526	-	526	-	526
(1,703)	(7,543)	(9,246)	(10,956)	1,710	(76,535)	(7,543)	(84,078)	(85,246)	1,168
$ 8,089	$ (10,439)	(2,350)	(366,552)	364,202	$ 10,388	$ (25,662)	(15,274)	(447,770)	432,496
		19,523	19,523	-			80,258	80,258	-
		1,305	1,305	-			14,057	14,057	-
		3,455	3,455	-			33,207	33,207	-
		(7,186)	-	(7,186)			(30,851)	-	(30,851)
		$ 14,747	$ (342,269)	$ 357,016			$ 81,397	$ (320,248)	$ 401,645

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
ENVIRONMENTAL GROWTH FUND
COMBINING BALANCE SHEET
JUNE 30, 2009
(In Thousands)

	Two-Thirds Requirement	One-Third Requirement	Total
ASSETS			
Cash and Investments	$ 106	$ 468	$ 574
Receivables:			
Taxes - Net	2,203	1,101	3,304
Accrued Interest	25	8	33
TOTAL ASSETS	$ 2,334	$ 1,577	$ 3,911
LIABILITIES			
Accounts Payable	$ -	$ 3	$ 3
FUND EQUITY			
Fund Balances:			
Reserved for Encumbrances	484	325	809
Unreserved:			
Designated for Unrealized Gains	1	3	4
Designated for Subsequent Years' Expenditures	1,849	412	2,261
Undesignated	-	834	834
TOTAL FUND EQUITY	2,334	1,574	3,908
TOTAL LIABILITIES AND FUND EQUITY	$ 2,334	$ 1,577	$ 3,911

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2009
(In Thousands)

	Two-Thirds Requirement	One-Third Requirement	Total
REVENUES			
Other Local Taxes	$ 8,987	$ 4,493	$ 13,480
Revenue from Use of Money and Property	138	55	193
TOTAL REVENUES	9,125	4,548	13,673
EXPENDITURES			
Current:			
Parks, Recreation, Culture and Leisure	2,646	2,667	5,313
Capital Projects	-	182	182
TOTAL EXPENDITURES	2,646	2,849	5,495
EXCESS OF REVENUES OVER EXPENDITURES	6,479	1,699	8,178
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	11	-	11
Transfers from Other Funds	14	-	14
Transfers to Other Funds	(7,932)	(1,890)	(9,822)
NET CHANGE IN FUND BALANCES	(1,428)	(191)	(1,619)
Fund Balances at Beginning of Year	3,762	1,765	5,527
FUND BALANCES AT END OF YEAR	$ 2,334	$ 1,574	$ 3,908

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
ENVIRONMENTAL GROWTH FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Two-Thirds Requirement				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Other Local Taxes	$ 8,987	$ -	$ 8,987	$ 9,427	$ (440)
Revenue from Use of Money and Property	138	7	145	54	91
TOTAL REVENUES	9,125	7	9,132	9,481	(349)
EXPENDITURES					
Current:					
Parks, Recreation, Culture and Leisure	2,646	-	2,646	-	(2,646)
Capital Projects	-	484	484	6,961	6,477
TOTAL EXPENDITURES	2,646	484	3,130	6,961	3,831
EXCESS OF REVENUES OVER EXPENDITURES	6,479	(477)	6,002	2,520	3,482
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	11	-	11	-	11
Transfers from Other Funds	14	-	14	-	14
Transfers to Other Funds	(7,932)	-	(7,932)	(7,932)	-
NET CHANGE IN FUND BALANCES	$ (1,428)	$ (477)	(1,905)	(5,412)	3,507
Fund Balances Undesignated at July 1, 2008			1,940	1,940	-
Reserved for Encumbrances at July 1, 2008			123	123	-
Designated for Subsequent Years' Expenditures at July 1, 2008			1,691	1,691	-
Designated for Subsequent Years' Expenditures at June 30, 2009			(1,849)	-	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2009			$ -	$ (1,658)	$ 1,658

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)
$ 4,493	$ -	$ 4,493	$ 4,714	$ (221)	$ 13,480	$ -	$ 13,480	$ 14,141	$ (661)
55	2	57	56	1	193	9	202	110	92
4,548	2	4,550	4,770	(220)	13,673	9	13,682	14,251	(569)
2,667	-	2,667	3,599	932	5,313	-	5,313	3,599	(1,714)
182	325	507	764	257	182	809	991	7,725	6,734
2,849	325	3,174	4,363	1,189	5,495	809	6,304	11,324	5,020
1,699	(323)	1,376	407	969	8,178	(800)	7,378	2,927	4,451
-	-	-	-	-	11	-	11	-	11
-	-	-	-	-	14	-	14	-	14
(1,890)	-	(1,890)	(1,890)	-	(9,822)	-	(9,822)	(9,822)	-
$ (191)	$ (323)	(514)	(1,483)	969	$ (1,619)	$ (800)	(2,419)	(6,895)	4,476
		774	774	-			2,714	2,714	-
		494	494	-			617	617	-
		492	492	-			2,183	2,183	-
		(412)	-	(412)			(2,261)	-	(2,261)
		$ 834	$ 277	$ 557			$ 834	$ (1,381)	$ 2,215

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Non major Governmental Funds - Debt Service

DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources for, and the payment of, 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.

OTHER SPECIAL ASSESSMENTS

This fund was established to account for the payment of principal and interest for bonds issued under the Improvement Bond Act of 1915 and the Mello-Roos Community Facilities Act of 1982. These bonds are serviced by assessments and special taxes levied on property owners within each district.

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

CONVENTION CENTER EXPANSION FINANCING AUTHORITY

This fund was established to account for the debt service activities of the Convention Center Expansion Financing Authority (CCEFA). CCEFA, created by the City of San Diego and the Port of San Diego, facilitates the financing, acquisition and construction of an expansion to the existing convention center. CCEFA's debt service fund is used to account for the payment of long-term debt principal and interest.

PUBLIC FACILITIES FINANCING AUTHORITY

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

REDEVELOPMENT AGENCY

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

SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION

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

SAN DIEGO OPEN SPACE PARK FACILITIES DISTRICT #1

This fund was established for the purpose of acquiring open space properties to implement the Open Space element of the City of San Diego General Plan, and accounts for financial resources accumulated for the payment of long-term debt principal and interest. This fund is serviced by City contributions and investment income.

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION

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

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NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING BALANCE SHEET
June 30, 2009
(In Thousands)

	City of San Diego	City of San Diego/MTDB Authority	Convention Center Expansion Financing Authority	Public Facilities Financing Authority
ASSETS				
Receivables:				
Taxes - Net	$ 6	$ -	$ -	$ -
Accounts	-	-	-	-
Special Assessments	1,253	-	-	-
Accrued Interest	23	-	-	-
Interfund Loan Receivable	-	-	-	33,460
Restricted Cash and Investments	31,380	3,236	-	12,082
TOTAL ASSETS	$ 32,662	$ 3,236	$ -	$ 45,542
LIABILITIES				
Deferred Revenue	$ 1,079	$ -	$ -	$ -
Interfund Loan Payable	-	-	-	-
TOTAL LIABILITIES	1,079	-	-	-
FUND EQUITY				
Fund Balances:				
Reserved for Encumbrances	9	-	-	-
Reserved for Debt Service	31,520	3,236	-	45,471
Unreserved:				
Designated for Unrealized Gains	54	-	-	71
Designated for Debt Service	-	-	-	-
TOTAL FUND EQUITY	31,583	3,236	-	45,542
TOTAL LIABILITIES AND FUND EQUITY	$ 32,662	$ 3,236	$ -	$ 45,542

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2009
(In Thousands)

	City of San Diego	City of San Diego/MTDB Authority	Convention Center Expansion Financing Authority	Public Facilities Financing Authority
REVENUES				
Property Taxes	$ 2,325	$ -	$ -	$ -
Special Assessments	16,871	-	-	-
Revenue from Use of Money and Property	616	86	-	290
Revenue from Other Agencies	-	-	-	-
TOTAL REVENUES	19,812	86	-	290
EXPENDITURES				
Current:				
General Government and Support	41	-	-	4
Debt Service:				
Principal Retirement	6,755	3,275	5,290	8,275
Interest	8,779	725	8,408	15,922
Cost of Issuance	746	-	-	255
TOTAL EXPENDITURES	16,321	4,000	13,698	24,456
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,491	(3,914)	(13,698)	(24,166)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	14	1,228	13,690	23,243
Transfers to Other Funds	(3,852)	-	-	(85)
Special Tax Bonds Issued	1,823	-	-	-
Revenue Bonds Issued	-	-	-	302
Discount on Bonds Issued	(129)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,144)	1,228	13,690	23,460
NET CHANGE IN FUND BALANCES	1,347	(2,686)	(8)	(706)
Fund Balances at Beginning of Year	30,236	5,922	8	46,248
FUND BALANCES AT END OF YEAR	$ 31,583	$ 3,236	$ -	$ 45,542

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	San Diego Open Space Park Facilities District #1	Tobacco Settlement Revenue Funding Corporation	Total
$ 2,849	$ -	$ -	$ -	$ 2,855
-	-	-	5,050	5,050
-	-	-	-	1,253
962	-	-	-	985
-	-	-	-	33,460
356,508	93	-	12,381	415,680
$ 360,319	$ 93	$ -	$ 17,431	$ 459,283
$ -	$ -	$ -	$ 5,050	$ 6,129
12,094	-	-	-	12,094
12,094	-	-	5,050	18,223
513	-	-	-	522
82,601	93	-	12,381	175,302
-	-	-	-	125
265,111	-	-	-	265,111
348,225	93	-	12,381	441,060
$ 360,319	$ 93	$ -	$ 17,431	$ 459,283

$ 142,161	$ -	$ -	$ -	$ 144,486
-	-	-	-	16,871
9,952	-	6	510	11,460
15	-	-	11,429	11,444
152,128	-	6	11,939	184,261
1,398	-	-	-	1,443
15,959	5,305	410	3,990	49,259
29,952	1,258	12	7,066	72,122
-	-	-	-	1,001
47,309	6,563	422	11,056	123,825
104,819	(6,563)	(416)	883	60,436
21,850	6,655	-	-	66,680
(60,641)	-	(14)	(1,385)	(65,977)
-	-	-	-	1,823
-	-	-	-	302
-	-	-	-	(129)
(38,791)	6,655	(14)	(1,385)	2,699
66,028	92	(430)	(502)	63,135
282,197	1	430	12,883	377,925
$ 348,225	$ 93	$ -	$ 12,381	$ 441,060

NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009
(In Thousands)

	City of San Diego	
	Actual on Budgetary Basis	Final Budget
REVENUES		
Property Taxes	$ 2,325	$ 2,315
Revenue from Use of Money and Property	45	55
TOTAL REVENUES	2,370	2,370
EXPENDITURES		
Current:		
General Government and Support	1	1
Debt Service:		
Principal Retirement	1,855	1,855
Interest	477	477
TOTAL EXPENDITURES	2,333	2,333
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	37	37
OTHER FINANCING SOURCES (USES)		
Transfers from Other Funds	-	-
Transfers to Other Funds	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCES	37	37
Reserved for Debt Service at July 1, 2008	2,554	2,554
Reserved for Debt Service at June 30, 2009	(2,591)	(2,591)
FUND BALANCES UNDESIGNATED AT JUNE 30, 2009	$ -	$ -

San Diego Open Space Park Facilities District #1		Total		
Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -		$ 2,325	$ 2,315	$ 10
9	54	54	109	(55)
9	54	2,379	2,424	(45)
-	-	1	1	-
410	410	2,265	2,265	-
12	25	489	502	13
422	435	2,755	2,768	13
(413)	(381)	(376)	(344)	(32)
-	434	-	434	(434)
(14)	(727)	(14)	(727)	713
(14)	(293)	(14)	(293)	279
(427)	(674)	(390)	(637)	247
427	427	2,981	2,981	-
-	-	(2,591)	(2,591)	-
$ -	$ (247)	$ -	$ (247)	$ 247

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING BALANCE SHEET
June 30, 2009
(In Thousands)

	Budgeted: Public Safety Communications Project	Unbudgeted: Other Special Assessments	Total
ASSETS			
Receivables:			
Taxes - Net	$ 6	$ -	$ 6
Special Assessments - Net	-	1,253	1,253
Accrued Interest	8	15	23
Restricted Cash and Investments	2,591	28,789	31,380
TOTAL ASSETS	$ 2,605	$ 30,057	$ 32,662
LIABILITIES			
Deferred Revenue	$ -	$ 1,079	$ 1,079
TOTAL LIABILITIES	-	1,079	1,079
FUND EQUITY			
Fund Balances:			
Reserved for Encumbrances	-	9	9
Reserved for Debt Service	2,591	28,929	31,520
Unreserved:			
Designated for Unrealized Gains	14	40	54
TOTAL FUND EQUITY	2,605	28,978	31,583
TOTAL LIABILITIES AND FUND EQUITY	$ 2,605	$ 30,057	$ 32,662

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2009
(In Thousands)

	Public Safety Communications Project	Other Special Assessments	Total
REVENUES			
Property Taxes	$ 2,325	$ -	$ 2,325
Special Assessments	-	16,871	16,871
Revenue from Use of Money and Property	44	572	616
TOTAL REVENUES	2,369	17,443	19,812
EXPENDITURES			
Current:			
General Government and Support	1	40	41
Debt Service:			
Principal Retirement	1,855	4,900	6,755
Interest	477	8,302	8,779
Cost of Issuance	-	746	746
TOTAL EXPENDITURES	2,333	13,988	16,321
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	36	3,455	3,491
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	-	14	14
Transfers to Other Funds	-	(3,852)	(3,852)
Special Tax Bonds Issued	-	1,823	1,823
Discount on Bonds Issued	-	(129)	(129)
TOTAL OTHER FINANCING SOURCES (USES)	-	(2,144)	(2,144)
NET CHANGE IN FUND BALANCES	36	1,311	1,347
Fund Balances at Beginning of Year	2,569	27,667	30,236
FUND BALANCES AT END OF YEAR	$ 2,605	$ 28,978	$ 31,583

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2009
(In Thousands)

	Public Safety Communications Project				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ 2,325	$ -	$ 2,325	$ 2,315	$ 10
Revenue from Use of Money and Property	44	1	45	55	(10)
TOTAL REVENUES	2,369	1	2,370	2,370	-
EXPENDITURES					
Current:					
General Government and Support	1	-	1	1	-
Debt Service:					
Principal Retirement	1,855	-	1,855	1,855	-
Interest	477	-	477	477	-
TOTAL EXPENDITURES	2,333	-	2,333	2,333	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	36	1	37	37	-
NET CHANGE IN FUND BALANCES	$ 36	$ 1	37	37	-
Reserved for Debt Service at July 1, 2008			2,554	2,554	-
Reserved for Debt Service at June 30, 2009			(2,591)	(2,591)	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2009			$ -	$ -	$ -

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NON MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and fiduciary funds).

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.

BLENDED COMPONENT UNITS

PUBLIC FACILITIES FINANCING AUTHORITY

This fund was established to account for the capital improvement acquisition and construction activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City of San Diego and RDA, facilitates the financing and construction of public capital improvements of the City or RDA. Revenues are derived from the issuance of bonds and interest earnings on investments.

REDEVELOPMENT AGENCY

This fund was established to account for the capital improvement activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. Funds are derived from the City of San Diego, from the issuance of bonds for specific redevelopment projects, sale of real estate and investment income.

SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION

This fund was established to account for the capital improvement activities of the San Diego Facilities and Equipment Leasing Corporation (SDFELC). SDFELC was established to acquire and lease to the City of San Diego real and personal property to be used in the municipal operations of the City. This fund accounts for proceeds from the issuance of Certificates of Participation used to finance construction projects in Balboa and Mission Bay parks.

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NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2009
(In Thousands)

	City of San Diego	Public Facilities Financing Authority
ASSETS		
Cash or Equity in Pooled Cash and Investments	$ 322,004	$ 105,438
Receivables:		
Accounts	7,545	-
Special Assesments	4	-
Notes	-	-
Accrued Interest	871	8
Grants	28,697	-
Due from Other Funds	1	
Advances to Other Funds	600	-
Land Held for Resale	-	-
Prepaid Items	-	-
TOTAL ASSETS	$ 359,722	$ 105,446
LIABILITIES		
Accounts Payable	$ 6,061	$ -
Due to Other Funds	1,827	-
Due to Other Agencies	152	-
Unearned Revenue	18,816	-
Deferred Revenue	32,368	-
Sundry Trust Liabilities	-	-
Advances from Other Funds	600	-
Interfund Loan Payable	3,487	-
TOTAL LIABILITIES	63,311	-
FUND EQUITY		
Fund Balances:		
Reserved for Land Held for Resale	-	-
Reserved for Notes Receivable	-	-
Reserved for Encumbrances	52,865	401
Reserved for Advances and Deposits	600	-
Unreserved:		
Designated for Unrealized Gains	1,358	8
Designated for Subsequent Years' Expenditures	177,925	103,300
Undesignated	63,663	1,737
TOTAL FUND EQUITY	296,411	105,446
TOTAL LIABILITIES AND FUND EQUITY	$ 359,722	$ 105,446

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	Total
$ 194,712	$ -	$ 622,154
-	-	7,545
-	-	4
5,000	-	5,000
285	-	1,164
-	-	28,697
		1
-	-	600
27,538	-	27,538
73	-	73
$ 227,608	$ -	$ 692,776
$ 3,855	$ -	$ 9,916
-	-	1,827
-	-	152
3	-	18,819
-	-	32,368
4,550	-	4,550
5,431	-	6,031
17,093	-	20,580
30,932	-	94,243
27,538	-	27,538
5,000	-	5,000
81,650	-	134,916
-	-	600
183	-	1,549
82,305	-	363,530
-	-	65,400
196,676	-	598,533
$ 227,608	$ -	$ 692,776

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2009
(In Thousands)

	City of San Diego	Public Facilities Financing Authority
REVENUES		
Special Assessments	$ 4	$ -
Sales Taxes	20,222	-
Licenses and Permits	6,942	-
Revenue from Use of Money and Property	14,249	115
Revenue from Federal Agencies	22,603	-
Revenue from Other Agencies	21,555	-
Revenue from Private Sources	9,406	-
Other Revenue	554	104
TOTAL REVENUES	95,535	219
EXPENDITURES		
Current:		
General Government and Support	3,725	-
Public Safety - Fire & Life Safety	42	-
Parks, Recreation, Culture and Leisure	2,245	-
Transportation	23,238	-
Sanitation and Health	650	-
Neighborhood Services	189	-
Capital Projects	100,980	-
Debt Service:		
Principal Retirement	141	-
Interest	74	-
TOTAL EXPENDITURES	131,284	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(35,749)	219
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds	61	-
Transfers from Other Funds	6,120	85
Transfers to Proprietary Funds	(1,424)	-
Transfers to Other Funds	(29,295)	-
Proceeds from the Sale of Capital Assets	2,157	-
Capital Leases	18,988	-
Loans Issued	302	-
Special Tax Bonds Issued	10,542	-
Revenue Bonds Issued	-	102,698
TOTAL OTHER FINANCING SOURCES (USES)	7,451	102,783
NET CHANGE IN FUND BALANCES	(28,298)	103,002
Fund Balances at Beginning of Year	324,709	2,444
FUND BALANCES AT END OF YEAR	$ 296,411	$ 105,446

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	Total
$ -	$ -	$ 4
-	-	20,222
-	-	6,942
7,874	-	22,238
-	-	22,603
-	-	21,555
9,154	-	18,560
1,419	-	2,077
18,447	-	114,201
21,780	-	25,505
-	-	42
-	-	2,245
-	-	23,238
-	-	650
16,461	-	16,650
23,330	-	124,310
-	-	141
-	-	74
61,571	-	192,855
(43,124)	-	(78,654)
-	-	61
38,369	-	44,574
-	-	(1,424)
(14,478)	(4)	(43,777)
-	-	2,157
-	-	18,988
4,296	-	4,598
-	-	10,542
-	-	102,698
28,187	(4)	138,417
(14,937)	(4)	59,763
211,613	4	538,770
$ 196,676	$ -	$ 598,533

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2009
(In Thousands)

	Capital Outlay	Park & Recreation Districts	Facilities Benefit Assesments
ASSETS			
Cash and Investments	$ 19,599	$ 7,126	$ 134,760
Receivables:			
Accounts	-	-	-
Special Assesments	-	-	-
Accrued Interest	(8)	25	459
Grants	28,697	-	-
Due from Other Funds	-	-	1
Advances to Other Funds	600	-	-
TOTAL ASSETS	$ 48,888	$ 7,151	$ 135,220
LIABILITIES			
Accounts Payable	$ 2,452	$ -	$ 1,955
Due to Other Funds	1,827	-	-
Due to Other Agencies	13	-	-
Unearned Revenue	17,076	-	-
Deferred Revenue	23,076	-	-
Advances from Other Funds	-	-	-
Interfund Loan Payable	-	-	3,487
TOTAL LIABILITIES	44,444	-	5,442
FUND EQUITY			
Fund Balances:			
Reserved for Encumbrances	2,552	461	36,101
Reserved for Advances and Deposits	600	-	-
Unreserved:			
Designated for Unrealized Gains	4	39	736
Designated for Subsequent Years' Expenditures	25,292	1,999	92,941
Undesignated	(24,004)	4,652	-
TOTAL FUND EQUITY	4,444	7,151	129,778
TOTAL LIABILITIES AND FUND EQUITY	$ 48,888	$ 7,151	$ 135,220

Impact Fees	Special Assesment / Special Tax Bonds	TransNet	Other Construction	Total
$ 48,695	$ 18,288	$ 33,349	$ 60,187	$ 322,004
-	-	5,497	2,048	7,545
-	4	-	-	4
161	12	125	97	871
-	-	-	-	28,697
-	-	-	-	1
-	-	-	-	600
$ 48,856	$ 18,304	$ 38,971	$ 62,332	$ 359,722
$ 30	$ -	$ 1,380	$ 244	6,061
-	-	-	-	1,827
-	-	-	139	152
-	-	-	1,740	18,816
-	-	7,244	2,048	32,368
-	-	-	600	600
-	-	-	-	3,487
30	-	8,624	4,771	63,311
3,095	112	5,884	4,660	52,865
-	-	-	-	600
263	31	169	116	1,358
5,007	75	23,725	28,886	177,925
40,461	18,086	569	23,899	63,663
48,826	18,304	30,347	57,561	296,411
$ 48,856	$ 18,304	$ 38,971	$ 62,332	$ 359,722

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2009
(In Thousands)

	Capital Outlay	Park & Recreation Districts	Facilities Benefit Assesments
REVENUES			
Special Assessments	$ -	$ -	$ -
Sales Taxes	-	-	-
Licenses and Permits	-	-	-
Revenue from Use of Money and Property	2,755	252	4,972
Revenue from Federal Agencies	22,603	-	-
Revenue from Other Agencies	19,092	-	-
Revenue from Private Sources	-	-	9,048
Other Revenue	6	-	-
TOTAL REVENUES	44,456	252	14,020
EXPENDITURES			
Current:			
General Government and Support	-	-	1,657
Public Safety - Fire & Life Safety	1	-	-
Parks, Recreation, Culture and Leisure	1,075	-	-
Transportation	1,110	-	116
Sanitation and Health	-		224
Neighborhood Services	189	-	-
Capital Projects	65,204	18	20,673
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	67,579	18	22,670
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(23,123)	234	(8,650)
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	-	-	-
Transfers from Other Funds	54	-	-
Transfers to Proprietary Funds	(1,424)	-	-
Transfers to Other Funds	(8,968)	-	-
Proceeds from the Sale of Capital Assets	1,600	-	-
Capital Leases	18,988	-	-
Loans Issued	-	-	-
Special Tax Bonds Issued	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	10,250	-	-
NET CHANGE IN FUND BALANCES	(12,873)	234	(8,650)
Fund Balances at Beginning of Year	17,317	6,917	138,428
FUND BALANCES AT END OF YEAR	$ 4,444	$ 7,151	$ 129,778

Impact Fees	Special Assesment / Special Tax Bonds	TransNet	Other Construction	Total
$ -	$ 4	$ -	$ -	$ 4
-	-	20,222	-	20,222
6,380	-	562	-	6,942
1,690	369	1,238	2,973	14,249
-	-	-	-	22,603
-	-	-	2,463	21,555
-	100	-	258	9,406
-	-	-	548	554
8,070	473	22,022	6,242	95,535
587	173	102	1,206	3,725
-	-	-	41	42
-	-	-	1,170	2,245
4	11,695	261	10,052	23,238
		309	117	650
-	-	-	-	189
2,108	-	7,201	5,776	100,980
-	-	-	141	141
-	-	-	74	74
2,699	11,868	7,873	18,577	131,284
5,371	(11,395)	14,149	(12,335)	(35,749)
-	-	-	61	61
1	495	-	5,570	6,120
-	-	-	-	(1,424)
(4,749)	-	(9,821)	(5,757)	(29,295)
-	-	-	557	2,157
-	-	-	-	18,988
-	-	-	302	302
-	10,542	-	-	10,542
(4,748)	11,037	(9,821)	733	7,451
623	(358)	4,328	(11,602)	(28,298)
48,203	18,662	26,019	69,163	324,709
$ 48,826	$ 18,304	$ 30,347	$ 57,561	$ 296,411

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2009
(In Thousands)

	TransNet				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Sales Taxes	$ 20,222	$ -	$ 20,222	$ 27,057	$ (6,835)
Revenue from Use of Money and Property	1,238	(2)	1,236	-	1,236
Other Revenue	562	-	562	-	562
TOTAL REVENUES	22,022	(2)	22,020	27,057	(5,037)
EXPENDITURES					
Current:					
General Government and Support	102	-	102	162	60
Transportation	261	21	282	319	37
Sanitation and Health	309	66	375	1,043	668
Capital Projects	7,201	5,797	12,998	38,635	25,637
Debt Service:					
Principal Retirement	-	-	-	142	142
TOTAL EXPENDITURES	7,873	5,884	13,757	40,301	26,544
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,149	(5,886)	8,263	(13,244)	21,507
OTHER FINANCING SOURCES (USES)					
Transfers to Other Funds	(9,821)	-	(9,821)	(9,898)	77
TOTAL OTHER FINANCING SOURCES (USES)	(9,821)	-	(9,821)	(9,898)	77
NET CHANGE IN FUND BALANCES	$ 4,328	$ (5,886)	(1,558)	(23,142)	21,584
Fund Balances Undesignated at July 1, 2008			130	130	
Reserved for Encumbrances at July 1, 2008			7,690	7,690	-
Designated for Subsequent Years' Expenditures at July 1, 2008			18,032	18,032	-
Designated for Subsequent Years' Expenditures at June 30, 2009			(23,725)	-	(23,725)
FUND BALANCES UNDESIGNATED AT JUNE 30, 2009			$ 569	$ 2,710	$ (2,141)

Non major Governmental Funds - Permanent

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs (i.e., for the benefit of the City or its citizens).

CARMEL VALLEY SEWER MAINTENANCE

This fund was established to fund the City's share of maintenance costs for a private sewer system in the Carmel Valley community. The original contribution was received from a developer and interest earnings derived there from will finance a fifty-year maintenance period.

CEMETERY PERPETUITY

This fund was established to account for the Mt. Hope Cemetery endowment. Investment earnings derived from the endowment supplement grave sales revenues in order to finance cemetery operations.

EFFIE SERGEANT

This fund was established to account for a donation to benefit the North Park Branch Library. Investment earnings are used to finance library services and programs.

FIGG ESTATE ENDOWMENT

This fund was established to account for a donation received for the planting and maintenance of jacaranda trees in the public rights of way throughout the City of San Diego. Investment earnings are used for planting and maintenance as well.

GLADYS EDNA PETERS

This fund was established to account for a donation to benefit the Rancho Bernardo Branch Library. Investment earnings are used to procure and maintain a collection of large print books and periodicals.

JANE CAMERON ESTATE

This fund was established to account for a donation to benefit the La Jolla/Riford Branch Library. Investment earnings are used to finance library services and programs.

LOS PENASQUITOS CANYON

This fund was established to account for the Los Penasquitos Canyon Preserve Trust Fund. Investment earnings are used to finance operations, land acquisitions, historical restoration, and maintenance of the Penasquitos Preserve Park.

MONTEZUMA ROAD MEDIAN MAINTENANCE

This fund was established to account for an endowment from San Diego State University. Investment earnings derived there from are used to finance the maintenance of medians along Montezuma Road.

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.

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CITY OF SAN DIEGO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT
JUNE 30, 2009
(In Thousands)

	Carmel Valley Sewer Maintenance	Cemetery Perpetuity	Effie Sergeant
ASSETS			
Receivables:			
Accounts - Net	$ -	$ 15	$ -
Accrued Interest	-	14	-
Restricted Cash and Investments	49	9,427	441
TOTAL ASSETS	$ 49	$ 9,456	$ 441
FUND EQUITY:			
Fund Balances:			
Reserved for Permanent Endowments	$ -	$ 9,439	$ 441
Unreserved:			
Designated for Unrealized Gains	-	17	-
Undesignated	49	-	-
TOTAL FUND EQUITY	$ 49	$ 9,456	$ 441

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2009
(In Thousands)

	Carmel Valley Sewer Maintenance	Cemetery Perpetuity	Effie Sergeant
REVENUES			
Revenue from Use of Money and Property	$ 1	$ (411)	$ (65)
Revenue from Private Sources	-	-	-
Charges for Current Services	-	114	-
TOTAL REVENUES	1	(297)	(65)
EXPENDITURES			
Current:			
General Government and Support	-	-	-
Parks, Recreation, Culture and Leisure	-	-	10
TOTAL EXPENDITURES	-	-	10
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1	(297)	(75)
OTHER FINANCING SOURCES (USES)			
Transfers to Other Funds	-	(372)	-
NET CHANGE IN FUND BALANCES	1	(669)	(75)
Fund Balances at Beginning of Year	48	10,125	516
FUND BALANCES AT END OF YEAR	$ 49	$ 9,456	$ 441

Figg Estate Endowment	Gladys Edna Peters	Jane Cameron Estate	Los Penasquitos Canyon	Montezuma Road Median Maintenance	Southcrest Park Estates II	Sycamore Estates	Zoological Society - Mission Trails	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 15
-	-	9	-	-	-	-	-	23
322	298	2,789	2,209	-	13	250	69	15,867
$ 322	$ 298	$ 2,798	$ 2,209	$ -	$ 13	$ 250	$ 69	$ 15,905
$ -	$ 298	$ 2,783	$ -	$ -	$ -	$ 250	$ 69	$ 13,280
-	-	15	-	-	-	-	-	32
322	-	-	2,209	-	13	-	-	2,593
$ 322	$ 298	$ 2,798	$ 2,209	$ -	$ 13	$ 250	$ 69	$ 15,905

Figg Estate Endowment	Gladys Edna Peters	Jane Cameron Estate	Los Penasquitos Canyon	Montezuma Road Median Maintenance	Southcrest Park Estates II	Sycamore Estates	Zoological Society - Mission Trails	Total
$ 15	$ (47)	$ 99	$ (375)	$ 4	$ -	$ 10	$ 3	$ (766)
-	-	122	-	-	-	-	-	122
-	-	-	-	-	-	-	-	114
15	(47)	221	(375)	4	-	10	3	(530)
-	-	-	1	115	-	-	-	116
-	22	178	-	-	-	-	-	210
-	22	178	1	115	-	-	-	326
15	(69)	43	(376)	(111)	-	10	3	(856)
(13)	-	-	(143)	(4)	-	(10)	(3)	(545)
2	(69)	43	(519)	(115)	-	-	-	(1,401)
320	367	2,755	2,728	115	13	250	69	17,306
$ 322	$ 298	$ 2,798	$ 2,209	$ -	$ 13	$ 250	$ 69	$ 15,905

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Non major Business-Type Funds - Enterprise

ENTERPRISE FUNDS

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. These funds use full accrual accounting.

CITY OF SAN DIEGO

AIRPORTS

This fund was established to account for the operation, maintenance and development of both City-owned airports--Montgomery and Brown Fields. Airports fund revenues are derived from such sources as rent/lease revenue, usage fees, earnings on investments and aid from other governmental agencies.

CITY STORE

This fund was established to account for activities of the City's entrepreneurial program. This program operates retail store outlets for the purpose of selling surplus city materials and other items promoting the City of San Diego.

DEVELOPMENT SERVICES

This fund was established to account for construction management, development project review, permitting, and inspection services for the City.

ENVIRONMENTAL SERVICES

This fund was established to account for refuse disposal, collection, energy conservation, resource management, and other environmental programs.

GOLF COURSE

This fund was established to operate, maintain, and improve physical conditions and initiate capital improvement programs for Torrey Pines, Mission Bay, and Balboa golf courses. Revenues are derived from green fees and leases.

RECYCLING

This fund was established to account for the planning, implementation, operation and management of City recycling and waste diversion programs. Revenues are derived from the recycling fee on all waste generated in the City or disposed of at the City landfill.

NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE
COMBINING STATEMENT OF NET ASSETS
June 30, 2009
(In Thousands)

	Airports	City Store
ASSETS		
Cash and Investments	$ 11,866	$ -
Receivables:		
Accounts - Net of Allowance for Uncollectibles (Airports $340)	392	-
Claims - Net	-	-
Accrued Interest	42	-
Grants	1,560	-
From Other Funds	-	-
Inventories	-	-
Prepaid Expenses	2	-
Restricted Cash and Investments	-	-
Capital Assets - Non-Depreciable	3,667	-
Capital Assets - Depreciable	9,652	-
TOTAL ASSETS	27,181	-
LIABILITIES		
Accounts Payable	491	-
Accrued Wages and Benefits	44	-
Interest Accrued on Long-Term Debt	-	-
Long Term Debt Due Within One Year	67	-
Due to Other Funds	2	-
Unearned Revenue	-	-
Contract Deposits	-	-
Deposits/Advances from Others	-	-
Compensated Absences	68	-
Estimated Landfill Closure and Postclosure Care	-	-
Net Other Post Employment Benefits Obligation	131	-
Net Pension Obligation	197	-
TOTAL LIABILITIES	1,000	-
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	13,319	-
Restricted for Closure/Postclosure maintenance	-	-
Unrestricted	12,862	-
TOTAL NET ASSETS	$ 26,181	$ -

Development Services	Environmental Services	Golf Course	Recycling	Total
$ 5,322	$ 58,010	$ 20,439	$ 8,547	$ 104,184
85	112	14	198	801
-	-	2	-	2
52	296	70	51	511
-	-	-	224	1,784
3,604	-	5	-	3,609
-	-	2	-	2
-	-	-	-	2
-	37,983	-	2,569	40,552
177	19,409	1,629	-	24,882
1,082	32,886	15,443	1,460	60,523
10,322	148,696	37,604	13,049	236,852
46	684	326	23	1,570
1,191	465	182	294	2,176
-	-	-	1	1
1,024	513	173	207	1,984
58	60	-	27	147
6,453	-	-	224	6,677
-	-	-	337	337
-	-	-	2,569	2,569
1,031	516	174	208	1,997
-	19,336	-	-	19,336
3,212	1,199	734	997	6,273
6,092	2,067	547	1,309	10,212
19,107	24,840	2,136	6,196	53,279
1,259	52,295	17,072	1,460	85,405
-	38,113	-	-	38,113
(10,044)	33,448	18,396	5,393	60,055
$ (8,785)	$ 123,856	$ 35,468	$ 6,853	$ 183,573

NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Year Ended June 30, 2009
(In Thousands)

	Airports	City Store
OPERATING REVENUES		
Charges for Services	$ -	$ 242
Usage Fees	4,778	-
Other	151	-
TOTAL OPERATING REVENUES	4,929	242
OPERATING EXPENSES		
Maintenance and Operations	3,854	277
Administration	795	38
Depreciation	520	1
TOTAL OPERATING EXPENSES	5,169	316
OPERATING INCOME (LOSS)	(240)	(74)
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	439	2
Federal Grant Assistance	-	-
Other Agency Grant Assistance	-	-
Gain (Loss) on Sale/Retirement of Capital Assets	(4)	(5)
Debt Service Interest Expense	-	-
Other	6	(1)
TOTAL NONOPERATING REVENUES (EXPENSES)	441	(4)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	201	(78)
Capital Contributions	1,806	-
Transfers from Other Funds	8	-
Transfers from Governmental Funds	-	-
Transfers to Other Funds	(32)	-
Transfers to Governmental Funds	(2)	(57)
CHANGE IN NET ASSETS	1,981	(135)
Net Assets at Beginning of Year	24,200	135
NET ASSETS AT END OF YEAR	$ 26,181	$ -

Development Services	Environmental Services	Golf Course	Recycling	Total
$ 37,178	$ 1,047	$ 14,859	$ 5,463	$ 58,789
-	30,169	1,334	9,391	45,672
132	510	8	1,173	1,974
37,310	31,726	16,201	16,027	106,435
21,424	27,558	10,171	18,337	81,621
25,624	4,616	972	2,093	34,138
267	3,140	817	1,052	5,797
47,315	35,314	11,960	21,482	121,556
(10,005)	(3,588)	4,241	(5,455)	(15,121)
94	3,403	696	441	5,075
-	-	-	27	27
-	83	-	200	283
(9)	(787)	-	(9)	(814)
-	-	-	(3)	(3)
-	1,993	1	263	2,262
85	4,692	697	919	6,830
(9,920)	1,104	4,938	(4,536)	(8,291)
-	-	-	-	1,806
11	171	20	66	276
2,125	9	-	483	2,617
(31)	-	-	-	(63)
(134)	(35)	(2,134)	(102)	(2,464)
(7,949)	1,249	2,824	(4,089)	(6,119)
(836)	122,607	32,644	10,942	189,692
$ (8,785)	$ 123,856	$ 35,468	$ 6,853	$ 183,573

NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2009
(In Thousands)

	Airports	City Store
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	$ 5,073	$ 237
Receipts from Interfund Services Provided	-	4
Payments to Suppliers	(2,310)	(247)
Payments to Employees	(1,172)	-
Payments for Interfund Services Used	(736)	(4)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	855	(10)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers In	8	-
Transfers from Governmental Funds	-	-
Transfers Out	(32)	-
Transfers to Governmental Funds	(2)	(57)
Operating Grants Received	-	-
Proceeds from Advances and Deposits	-	-
Payments for Advances and Deposits	-	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(26)	(57)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Contributions	973	-
Acquisition of Capital Assets	(1,648)	-
Principal Payments on Capital Leases	-	-
Interest Paid on Long-Term Debt	-	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(675)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received on Investments	471	2
NET CASH PROVIDED BY INVESTING ACTIVITIES	471	2
Net Increase (Decrease) in Cash and Cash Equivalents	625	(65)
Cash and Cash Equivalents at Beginning of Year	11,241	65
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 11,866	$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:		
Operating Income (Loss)	$ (240)	$ (74)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	520	1
(Increase) Decrease in Assets:		
Accounts Receivable - Net	138	-
Claims Receivable - Net	-	-
Due From Other Funds	-	-
Inventories	-	77
Prepaid Expenses	(2)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	322	(13)
Accrued Wages and Benefits	10	-
Due to Other Funds	(1)	-
Unearned Revenue	-	-
Contract Deposits	-	-
Compensated Absences	15	-
Estimated Landfill Closure and Postclosure Care	-	-
Net OPEB Obligation	82	-
Net Pension Obligation	5	-
Other Nonoperating Revenue (Expenses)	6	(1)
Total Adjustments	1,095	64
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 855	$ (10)
Noncash Investing, Capital, and Financing Activites:		
Increase (Decrease) in Capital Assets related Accounts Payable	$ 76	$ -
Noncash Retirement of Capital Assets	(4)	(5)

Development Services	Environmental Services	Golf Course	Recycling	Total
$ 23,210	$ 30,744	$ 16,188	$ 15,155	$ 90,607
13,965	2,938	7	1,391	18,305
(10,480)	(16,816)	(3,908)	(8,077)	(41,838)
(34,887)	(11,018)	(5,964)	(8,866)	(61,907)
(350)	(2,740)	(759)	(3,020)	(7,609)
(8,542)	3,108	5,564	(3,417)	(2,442)
11	171	20	66	276
2,125	9	-	483	2,617
(30)	-	-	-	(62)
(134)	(35)	(2,134)	(102)	(2,464)
-	83	-	155	238
-	-	-	2,569	2,569
-	(25)	-	-	(25)
1,972	203	(2,114)	3,171	3,149
-	-	-	-	973
-	(3,809)	(1,113)	(10)	(6,580)
-	-	-	(166)	(166)
-	-	-	(11)	(11)
-	(3,809)	(1,113)	(187)	(5,784)
207	3,721	754	477	5,632
207	3,721	754	477	5,632
(6,363)	3,223	3,091	44	555
11,685	92,770	17,348	11,072	144,181
$ 5,322	$ 95,993	$ 20,439	$ 11,116	$ 144,736
$ (10,005)	$ (3,588)	$ 4,241	$ (5,455)	$ (15,121)
267	3,140	817	1,052	5,797
(36)	(37)	-	(2)	63
-	-	(2)	-	(2)
469	-	(5)	-	464
-	-	(1)	-	76
-	-	-	12	10
(59)	(157)	(1)	(84)	8
87	85	(11)	22	193
(21)	(42)	(7)	(63)	(134)
(568)	-	-	196	(372)
-	-	-	62	62
(496)	40	14	(78)	(505)
-	907	-	-	907
1,715	729	499	627	3,652
105	38	19	31	198
-	1,993	1	263	2,262
1,463	6,696	1,323	2,038	12,679
$ (8,542)	$ 3,108	$ 5,564	$ (3,417)	$ (2,442)
$ -	$ (160)	$ (298)	$ -	$ (382)
(9)	(787)	-	(9)	(814)

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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.

SPECIAL ENGINEERING

This fund was established to provide project planning, design, engineering systems management and support, and construction management and inspection services for water and wastewater capital improvements.

MISCELLANEOUS INTERNAL SERVICE

This fund accounts for various administrative activities including risk management administration, administration and operation of various employee related programs such as unused compensatory time, unused sick leave and unemployment insurance, and citywide training. Revenues are derived from rates or fees charged to the departments for specific services rendered.

BLENDED COMPONENT UNIT

SAN DIEGO DATA PROCESSING CORPORATION

This fund accounts for the operations of the San Diego Data Processing Corporation, Inc. (SDDPC). SDDPC was formed for the purpose of providing data processing services to public agencies, primarily the City of San Diego, which is the sole member of SDDPC. SDDPC also provides telecommunication services to the City. Rates are charged for the various services provided as per operating agreements and are subject to change each year.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2009
(In Thousands)

	City of San Diego	
	Fleet Services	Central Stores
ASSETS		
Cash and Investments	$ 76,819	$ 857
Receivables:		
Accounts - Net of Allowance for Uncollectibles (Self Insurance $896)	97	157
Claims - Net	1	-
Contributions	-	-
Accrued Interest	-	-
From Other Funds	-	-
Inventories	-	2,031
Prepaid Expenses	931	1
Capital Assets - Non-Depreciable	-	-
Capital Assets - Depreciable	113,444	79
TOTAL ASSETS	191,292	3,125
LIABILITIES		
Accounts Payable	828	905
Accrued Wages and Benefits	805	39
Interest Accrued on Long-Term Debt	269	-
Long-Term Debt Due Within One Year	8,195	22
Due to Other Funds	91	4
Unearned Revenue	-	-
Compensated Absences	761	25
Liability Claims	-	-
Capital Lease Obligations	21,221	-
Net Other Post Employment Benefits Obligation	2,009	175
Net Pension Obligation	1,579	203
TOTAL LIABILITIES	35,758	1,373
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	84,685	79
Unrestricted	70,849	1,673
TOTAL NET ASSETS	$ 155,534	$ 1,752

Publishing Services	Self Insurance	Special Engineering	Miscellaneous Internal Service	San Diego Data Processing Corporation	Total
$ 1,321	$ 57,638	$ -	$ 10,383	$ 1,098	$ 148,116
10	303	-	2	607	1,176
-	8	-	-	-	9
-	-	-	360	-	360
-	-	-	18	-	18
-	-	-	-	5,980	5,980
-	-	-	-	2	2,033
1	-	-	39	2,104	3,076
-	-	-	-	1,984	1,984
206	-	-	-	10,241	123,970
1,538	57,949	-	10,802	22,016	286,722
139	440	-	2	6,128	8,442
35	92	-	1,375	590	2,936
-	-	-	-	-	269
44	43,663	-	2,230	1,113	55,267
1,521	-	-	165	31	1,812
-	-	-	-	77	77
51	-	-	2,578	380	3,795
-	178,126	-	-	-	178,126
-	-	-	-	-	21,221
137	-	-	657	-	2,978
285	-	-	858	-	2,925
2,212	222,321	-	7,865	8,319	277,848
206	-	-	-	12,225	97,195
(880)	(164,372)	-	2,937	1,472	(88,321)
$ (674)	$ (164,372)	$ -	$ 2,937	$ 13,697	$ 8,874

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2009
(In Thousands)

	City of San Diego	
	Fleet Services	Central Stores
OPERATING REVENUES		
Charges for Services	$ 2,079	$ 31,536
Usage Fees	81,001	-
Other	253	331
TOTAL OPERATING REVENUES	83,333	31,867
OPERATING EXPENSES		
Benefit and Claim Payments	-	-
Maintenance and Operations	42,189	1,406
Cost of Materials Issued	-	29,149
Administration	2,730	69
Depreciation	22,202	19
TOTAL OPERATING EXPENSES	67,121	30,643
OPERATING INCOME (LOSS)	16,212	1,224
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	2,460	(7)
Other Agency Grant Assistance	123	-
Gain (Loss) on Sale/Retirement of Capital Assets	(309)	(3)
Debt Service Interest Expense	(971)	-
Other	10,455	-
TOTAL NONOPERATING REVENUES (EXPENSES)	11,758	(10)
INCOME (LOSS) BEFORE TRANSFERS	27,970	1,214
Capital Contributions	198	-
Transfers from Other Funds	157	4
Transfers from Governmental Funds	5,681	11
Transfers to Other Funds	(840)	(1)
Transfers to Governmental Funds	(1,713)	(41)
CHANGE IN NET ASSETS	31,453	1,187
Net Assets at Beginning of Year	124,081	565
NET ASSETS AT END OF YEAR	$ 155,534	$ 1,752

Publishing Services	Self Insurance	Special Engineering	Miscellaneous Internal Service	San Diego Data Processing Corporation	Total
$ 5,347	$ 57,983	$ -	$ 16,791	$ 47,201	$ 160,937
-	-	-	-	-	81,001
-	161	-	138	-	883
5,347	58,144	-	16,929	47,201	242,821
-	45,665	-	12,751	-	58,416
2,752	-	-	-	-	46,347
-	-	-	-	-	29,149
2,396	-	(3,094)	9,250	44,364	55,715
83	-	-	-	4,209	26,513
5,231	45,665	(3,094)	22,001	48,573	216,140
116	12,479	3,094	(5,072)	(1,372)	26,681
(31)	2,207	(3)	523	33	5,182
-	-	-	-	-	123
(8)	-	(1)	-	85	(236)
-	-	-	-	-	(971)
-	-	-	-	6	10,461
(39)	2,207	(4)	523	124	14,559
77	14,686	3,090	(4,549)	(1,248)	41,240
-	-	-	-	-	198
2	-	-	-	-	163
31	-	-	-	-	5,723
-	-	(432)	-	-	(1,273)
(34)	(2,207)	(207)	(337)	-	(4,539)
76	12,479	2,451	(4,886)	(1,248)	41,512
(750)	(176,851)	(2,451)	7,823	14,945	(32,638)
$ (674)	$ (164,372)	$ -	$ 2,937	$ 13,697	$ 8,874

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009
(In Thousands)

	City of San Diego		
	Fleet Services	Central Stores	Publishing Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	$ -	$ -	$ -
Receipts from Interfund Services Provided	93,790	31,854	5,347
Payments to Suppliers	(26,305)	(30,859)	(4,001)
Payments to Employees	(18,711)	(1,209)	(1,162)
Payments for Interfund Services Used	(2,602)	(100)	(37)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	46,172	(314)	147
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	157	3	2
Transfers from Governmental Funds	2,512	7	31
Transfers Out	(840)	-	-
Transfers to Governmental Funds	(1,713)	(37)	(13)
Operating Grants Received	123	-	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	239	(27)	20
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Contracts, Notes, and Loans	10,362	-	-
Acquisition of Capital Assets	(44,598)	-	-
Proceeds from the Sale of Capital Assets	3,273	-	-
Principal Payments on Capital Leases	(7,055)	-	-
Interest Paid on Long-Term Debt	(1,046)	-	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(39,064)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends Received on Investments	2,460	(6)	(31)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	2,460	(6)	(31)
Net Increase (Decrease) in Cash and Cash Equivalents	9,807	(347)	136
Cash and Cash Equivalents at Beginning of Year	67,012	1,204	1,185
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 76,819	$ 857	$ 1,321
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Operating Income (Loss)	$ 16,212	$ 1,224	$ 116
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:			
Depreciation	22,202	19	83
(Increase) Decrease in Assets:			
Accounts Receivable - Net	(3)	(13)	-
Claims Receivable - Net	5	-	-
Contributions Receivable	-	-	-
Inventories	-	72	-
Prepaid Expenses	(184)	(1)	(1)
Increase (Decrease) in Liabilities:			
Accounts Payable	(3,859)	(1,723)	(55)
Accrued Wages and Benefits	140	(7)	1
Due to Other Funds	(1)	-	(96)
Unearned Revenue	-	-	-
Compensated Absences	(96)	(2)	7
Liability Claims	-	-	-
Net OPEB Obligation	1,238	113	88
Net Pension Obligation	63	4	4
Other Nonoperating Revenue (Expenses)	10,455	-	-
Total Adjustments	29,960	(1,538)	31
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 46,172	$ (314)	$ 147
Noncash Investing, Capital, and Financing Activites:			
Capital Leases	$ 10,366	$ -	$ -
Developer Contributed Assets	198	-	-
Increase (Decrease) in Capital Assets related Accounts Payable	(6,243)	(3)	-
Noncash Retirement of Capital Assets	(309)	-	(8)
Contributions of Capital Assets from Governmental Activities	3,170	4	-

Self Insurance	Special Engineering	Miscellaneous Internal Service	San Diego Data Processing Corporation	Total
$ -	$ -	$ -	$ 3,182	$ 3,182
58,004	-	16,927	44,100	250,022
(23,222)	(194)	(1,139)	(18,930)	(104,650)
(21,696)	(429)	(20,911)	(26,592)	(90,710)
-	-	-	-	(2,739)
13,086	(623)	(5,123)	1,760	55,105
-	-	-	-	162
-	-	-	-	2,550
-	(433)	-	-	(1,273)
(2,207)	-	(337)	-	(4,307)
-	-	-	-	123
(2,207)	(433)	(337)	-	(2,745)
-	-	-	-	10,362
-	(1)	-	(4,570)	(49,169)
-	-	-	85	3,358
-	-	-	-	(7,055)
-	-	-	-	(1,046)
-	(1)	-	(4,485)	(43,550)
2,207	(3)	542	33	5,202
2,207	(3)	542	33	5,202
13,086	(1,060)	(4,918)	(2,692)	14,012
44,552	1,060	15,301	3,790	134,104
$ 57,638	$ -	$ 10,383	$ 1,098	$ 148,116
$ 12,479	$ 3,094	$ (5,072)	$ (1,372)	$ 26,681
-	-	-	4,209	26,513
(137)	-	(1)	(801)	(955)
(3)	-	-	-	2
-	-	39	-	39
-	-	-	-	72
-	1	(39)	(486)	(710)
(1,586)	(42)	(228)	(759)	(8,252)
2	(429)	36	(39)	(296)
-	(151)	117	-	(131)
-	-	-	(49)	(49)
-	-	(397)	126	(362)
2,331	-	-	-	2,331
-	(603)	401	-	1,237
-	(2,493)	21	-	(2,401)
-	-	-	931	11,386
607	(3,717)	(51)	3,132	28,424
$ 13,086	$ (623)	$ (5,123)	$ 1,760	$ 55,105
$ -	$ -	$ -	$ -	$ 10,366
-	-	-	-	198
-	-	-	-	(6,246)
-	(1)	-	-	(318)
-	-	-	-	3,174

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Fiduciary Funds

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

The resources of fiduciary funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

CITY OF SAN DIEGO

PENSION AND EMPLOYEE SAVINGS TRUST FUNDS

PRESERVATION OF BENEFITS PLAN

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

RETIREE HEALTH INSURANCE TRUST FUND

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(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, and employee benefit plans.

BLENDED COMPONENT UNIT

PENSION AND EMPLOYEE SAVINGS TRUST FUNDS

CITY EMPLOYEES' RETIREMENT SYSTEM

The San Diego City Employees' Retirement System ("CERS") provides retirement, health insurance, disability, and death benefits. SDCERS is a defined benefit plan, whereby funds are accumulated from City and employee contributions, plus earnings from fund investments. Currently SDCERS also administers the Port of San Diego and the San Diego County Regional Airport Authority defined benefit plans.

FIDUCIARY FUNDS
PENSION AND EMPLOYEE SAVINGS TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2009
(In Thousands)

	City Employees' Retirement System	Preservation of Benefits Arrangement	Post-Employment Healthcare	Supplemental Pension Savings Plan	401(k) Plan	Total
ASSETS						
Cash or Equity in Pooled Cash and Investments	$ 3,199	$ 4	$ 369	$ 344	$ 700	$ 4,616
Cash with Custodian/Fiscal Agent	371,736	26	-	-	-	371,762
Investments at Fair Value:						
Short Term Investments	33,311	-	-	-	-	33,311
Domestic Fixed Income Securities (Bonds)	861,555	-	-	-	-	861,555
International Fixed Income Securities (Bonds)	143,677	-	-	-	-	143,677
Domestic Equity Securities (Stocks)	1,444,848	-	-	-	-	1,444,848
International Equity Securities (Stocks)	614,246	-	-	-	-	614,246
Real Estate Equity and Real Estate Securities	350,498	-	-	-	-	350,498
Defined Contribution Investments	-	-	-	464,337	209,585	673,922
Receivables:						
Contributions	15,116	-	-	1,841	-	16,957
Accrued Interest	13,140	-	(5)	-	-	13,135
Loans	-	-	-	22,822	9,737	32,559
Securities Sold	81,077	-	-	-	-	81,077
Prepaid Expenses	73	-	-	-	-	73
Securities Lending Collateral	395,085	-	-	-	-	395,085
Capital Assets - Depreciable	1,275	-	-	-	-	1,275
TOTAL ASSETS	4,328,836	30	364	489,344	220,022	5,038,596
LIABILITIES						
Accounts Payable	5,759	-	354	-	-	6,113
Accrued Wages and Benefits	783	-	-	-	-	783
Deposits/Advances from Others	7,200	-	-	-	-	7,200
DROP Liability	360,758	-	-	-	-	360,758
Net Other Post Employment Benefit Obligation	607	-	-	-	-	607
Net Pension Obligation	628	-	-	-	-	628
Securities Lending Obligations	395,085	-	-	-	-	395,085
Securities Purchased	203,700	-	-	-	-	203,700
TOTAL LIABILITIES	974,520	-	354	-	-	974,874
NET ASSETS						
Held in Trust for Pension Benefits and Other Purposes	$ 3,354,316	$ 30	$ 10	$ 489,344	$ 220,022	$ 4,063,722

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2009
(In Thousands)

	City Employees' Retirement System	Preservation of Benefits Arrangement	Post-Employment Healthcare	Supplemental Pension Savings Plan	401(k) Plan	Total
ADDITIONS						
Employer Contributions	$ 198,134	$ 1,210	$ 25,587	$ 23,746	$ -	$ 248,677
Employee Contributions	50,456	-	-	22,643	22,246	95,345
Retiree Contributions	-	-	7,483	-	-	7,483
Earnings on Investments:						
Investment Income	(941,670)	3	(14)	(44,726)	(26,128)	(1,012,535)
Investment Expense	(19,661)	-	-	-	-	(19,661)
Net Investment Income	(961,331)	3	(14)	(44,726)	(26,128)	(1,032,196)
Securities Lending:						
Gross Earnings	11,607	-	-	-	-	11,607
Borrower Rebates	(4,944)	-	-	-	-	(4,944)
Administrative Expenses (Lending Agent)	(1,754)	-	-	-	-	(1,754)
Net Securities Lending Income	4,909	-	-	-	-	4,909
Other Income	325	-	-	-	-	325
TOTAL OPERATING ADDITIONS	(707,507)	1,213	33,056	1,663	(3,882)	(675,457)
DEDUCTIONS						
DROP Interest Expense	27,098	-	-	-	-	27,098
Benefit and Claim Payments	281,200	1,298	32,819	44,195	13,983	373,495
Administration	14,726	12	319	-	-	15,057
TOTAL OPERATING DEDUCTIONS	323,024	1,310	33,138	44,195	13,983	415,650
CHANGE IN NET ASSETS	(1,030,531)	(97)	(82)	(42,532)	(17,865)	(1,091,107)
Net Assets at Beginning of Year	4,384,847	127	92	531,876	237,887	5,154,829
NET ASSETS AT END OF YEAR	$ 3,354,316	$ 30	$ 10	$ 489,344	$ 220,022	$ 4,063,722

FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2009
(In Thousands)

	Employee Benefits	Other Miscellaneous Agency	Total
ASSETS			
Cash and Investments	$ 10,189	$ 19,064	$ 29,253
Receivables:			
Accounts - Net	118	2	120
Accrued Interest	5	10	15
Restricted Cash and Investments	-	10,205	10,205
TOTAL ASSETS	$ 10,312	$ 29,281	$ 39,593
LIABILITIES			
Deposits/Advances from Others	$ -	$ 10,977	$ 10,977
Trust Liabilities	10,312	18,304	28,616
TOTAL LIABILITIES	$ 10,312	$ 29,281	$ 39,593

FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Employee Benefits				
ASSETS				
Cash or Equity in Pooled Cash and Investments	$ 9,558	$ 65,078	$ 64,447	$ 10,189
Receivables:				
Accounts - Net	89	1,037	1,008	118
Accrued Interest	10	82	87	5
TOTAL ASSETS	$ 9,657	$ 66,197	$ 65,542	$ 10,312
LIABILITIES				
Trust Liabilities	$ 9,657	$ 78,626	$ 77,971	$ 10,312
TOTAL LIABILITIES	$ 9,657	$ 78,626	$ 77,971	$ 10,312
Other Miscellaneous Agency				
ASSETS				
Cash and Investments	$ 19,346	$ 985,774	$ 986,056	$ 19,064
Receivables:				
Accounts - Net	2	2	2	2
Accrued Interest	9	136	135	10
Restricted Cash and Investments	3,287	10,128	3,210	10,205
TOTAL ASSETS	$ 22,644	$ 996,040	$ 989,403	$ 29,281
LIABILITIES				
Accounts Payable	$ 647	$ 6,765	$ 7,412	$ -
Deposits/Advances from Others	12,730	2,396	4,149	10,977
Trust Liabilities	9,267	992,732	983,695	18,304
TOTAL LIABILITIES	$ 22,644	$ 1,001,893	$ 995,256	$ 29,281
TOTAL AGENCY FUNDS				
ASSETS				
Cash and Investments	$ 28,904	$ 1,050,852	$ 1,050,503	$ 29,253
Receivables:				
Accounts - Net	91	1,039	1,010	120
Accrued Interest	19	218	222	15
Restricted Cash and Investments	3,287	10,128	3,210	10,205
TOTAL ASSETS	$ 32,301	$ 1,062,237	$ 1,054,945	$ 39,593
LIABILITIES				
Accounts Payable	$ 647	$ 6,765	$ 7,412	$ -
Deposits/Advances from Others	12,730	2,396	4,149	10,977
Trust Liabilities	18,924	1,071,358	1,061,666	28,616
TOTAL LIABILITIES	$ 32,301	$ 1,080,519	$ 1,073,227	$ 39,593

Statistical Section [Unaudited]

STATISTICAL SECTION

The Statistical Section presents information as required by Government Accounting Standards Board (GASB) Statement 44. In addition to utilizing the basic financial statements, notes to the financial statements, and required supplementary information, the statistical data presented in this section helps users assess the City's economic condition. Ten-year trend information has been provided when available. The statistical tables are footnoted to indicate sources and when accounting data or other information is unavailable.

CONTENTS

FINANCIAL TRENDS

Tables 1 through 4 contain information to help the reader understand how the City's financial performance and well-being have changed over time.

REVENUE CAPACITY

Tables 5 through 8 contain information to help the reader assess the City's ability to generate its most significant local revenue source, property tax.

DEBT CAPACITY

Tables 9 through 14 present information to help the reader assess the affordability of the City's current levels of certain outstanding debt categories.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Tables 15 through 16 offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to provide comparisons over time with other governments.

OPERATING INFORMATION

Tables 17 through 19 contain information about the City's resources and operations to help the reader understand how the City's financial report relates to the services provided and activities performed by the City.

*Additional financial information (audited and statistical) on the Sewer and Water Utilities can be obtained in the Annual Report Disclosure filings submitted to the Municipal Securities Rulemaking Board, http://emma.msrb.org, and the City's Investor Webpage, http://www.sandiego.gov/investorinformation.

City of San Diego
Net Assets by Category (Unaudited)
Last Eight Fiscal Years (In Thousands)
(Accrual Basis of Accounting)

	Fiscal Year			
	2002 (restated)	2003	2004	2005
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	$ 3,013,292	$ 3,106,168	$ 3,200,262	$ 3,600,989
Restricted for:				
Capital Projects	231,964	250,452	274,664	90,390
Debt Service	70,029	154,926	74,268	37,522
Low-Moderate Income Housing	-	-	-	-
Permanent	15,860	11,857	13,104	13,908
Other	137,071	78,743	129,686	104,488
Unrestricted	5,450	(53,988)	(146,793)	(215,719)
Total Governmental Activities Net Assets	3,473,666	3,548,158	3,545,191	3,631,578
Business-type Activities				
Invested in Capital Assets, Net of Related Debt	2,348,754	2,624,846	2,818,690	2,863,136
Restricted for:				
Debt Service	70,011	72,567	3,674	3,517
Other	24,385	25,275	26,735	29,412
Unrestricted	616,624	373,143	317,358	271,943
Total Business-type Activities Net Assets	3,059,774	3,095,831	3,166,457	3,168,008
Primary Government				
Invested in Capital Assets, Net of Related Debt	5,362,046	5,731,014	6,018,952	6,464,125
Restricted for:				
Capital Projects	231,964	250,452	274,664	90,390
Debt Service	140,040	227,493	77,942	41,039
Low-Moderate Income Housing	-	-	-	-
Permanent	15,860	11,857	13,104	13,908
Other	161,456	104,018	156,421	133,900
Unrestricted	622,074	319,155	170,565	56,224
Total Primary Government Net Assets	$ 6,533,440	$ 6,643,989	$ 6,711,648	$ 6,799,586

Table 1

Fiscal Year			
2006	**2007**	**2008**	**2009**
$ 3,472,531	$ 3,461,127	$ 3,518,704	$ 3,530,937
273,575	300,288	314,931	293,284
-	-	-	-
64,493	81,739	108,026	135,581
14,568	16,509	16,757	13,280
96,537	100,159	124,328	122,460
(140,126)	(19,999)	70,635	162,661
3,781,578	3,939,823	4,153,381	4,258,203
2,867,469	2,998,848	2,933,012	2,970,351
2,970	2,977	2,660	4,372
32,115	34,732	36,776	38,113
308,575	343,280	517,261	587,443
3,211,129	3,379,837	3,489,709	3,600,279
6,340,000	6,459,975	6,451,716	6,501,288
273,575	300,288	314,931	293,284
2,970	2,977	2,660	4,372
64,493	81,739	108,026	135,581
14,568	16,509	16,757	13,280
128,652	134,891	161,104	160,573
168,449	323,281	587,896	750,104
$ 6,992,707	$ 7,319,660	$ 7,643,090	$ 7,858,482

City of San Diego
Changes in Net Assets (Unaudited)
Last Eight Fiscal Years (In Thousands)
(Accrual Basis of Accounting)

Table 2

	Fiscal Year							
	2002 (restated)	2003	2004	2005	2006	2007	2008	2009
Expenses								
Governmental Activities								
General Government and Support	$ 181,722	$ 204,072	$ 221,752	$ 247,038	$ 252,295	$ 270,190	$ 322,157	$ 303,581
Public Safety - Police	298,176	334,461	361,501	372,230	370,990	376,581	382,907	418,549
Public Safety - Fire and Life Safety and Homeland Security	139,699	147,897	173,311	186,203	194,074	209,902	204,822	220,787
Parks, Recreation, Culture and Leisure	181,762	202,567	204,736	218,601	237,375	229,500	231,955	258,038
Transportation	153,002	154,603	197,152	220,095	200,883	272,780	212,255	239,305
Sanitation and Health	57,227	37,615	44,925	45,088	48,774	43,780	51,772	77,447
Neighborhood Services	116,397	95,267	100,568	89,162	111,886	99,870	91,110	116,735
Debt Service:								
Interest	59,952	68,410	71,588	73,381	71,109	84,920	82,211	84,070
Total Governmental Activities Expenses	1,187,937	1,244,892	1,375,533	1,451,798	1,487,386	1,587,523	1,579,189	1,718,512
Business-type Activities								
Airports	3,085	4,281	7,384	3,196	4,100	3,755	4,109	5,140
City Store	731	731	858	808	810	843	788	321
Development Services	46,920	47,278	52,970	60,240	57,893	53,924	51,461	47,260
Environmental Services	35,684	40,306	40,602	43,711	44,493	40,138	37,279	35,718
Golf Course	6,433	6,963	7,572	8,585	9,563	10,690	11,142	11,864
Recycling	16,161	19,141	19,497	21,426	21,853	19,754	20,511	20,067
Sewer Utility	277,833	352,075	312,929	348,327	319,274	313,716	322,552	314,125
Water Utility	255,160	267,855	270,940	300,665	302,996	313,256	321,123	329,748
Total Business-type Activities Expenses	642,007	738,630	712,752	786,958	760,982	756,076	768,965	764,243
Total Primary Government Expenses	1,829,944	1,983,522	2,088,285	2,238,756	2,248,368	2,343,599	2,348,154	2,482,755
Program Revenues								
Governmental Activities								
Charges for Services:								
General Government and Support	72,067	80,782	81,167	100,887	96,345	107,257	111,714	152,630
Public Safety - Police	18,812	21,498	23,699	23,496	24,256	27,960	40,628	42,178
Public Safety - Fire and Life Safety and Homeland Security	16,492	21,014	19,940	21,381	18,572	16,548	19,156	20,449
Parks, Recreation, Culture and Leisure	20,136	9,187	12,466	35,314	51,196	52,656	64,030	80,795
Transportation	35,673	44,020	47,709	30,625	52,375	49,809	21,877	18,360
Sanitation and Health	7,571	9,009	9,087	8,651	10,697	10,224	9,832	9,306
Neighborhood Services	21,801	17,748	20,033	48,623	25,440	39,412	22,748	21,814
Operating Grants and Contributions	99,541	95,882	95,202	109,268	101,723	84,745	75,126	93,244
Capital Grants and Contributions	136,461	115,748	91,981	134,702	100,564	81,169	78,347	110,802
Total Governmental Activities Program Revenues	428,554	414,888	401,284	512,947	481,168	469,780	443,458	549,578
Business-type Activities								
Charges for Services:								
Airports	3,346	3,461	3,827	4,151	4,385	5,635	5,140	4,929
City Store	694	771	852	807	837	827	744	242
Development Services	46,860	46,656	58,412	61,299	55,011	48,746	45,945	37,310
Environmental Services	33,315	36,889	38,377	41,944	39,850	36,143	35,485	31,726
Golf Course	10,143	10,311	11,911	12,625	13,119	15,772	15,153	16,201
Recycling	15,870	17,640	16,169	19,883	21,345	20,476	23,390	16,027
Sewer Utility	233,980	256,947	267,294	288,972	290,568	304,749	328,119	322,571
Water Utility	213,577	222,462	239,533	267,649	280,567	310,292	318,626	342,719
Operating Grants and Contributions	5,981	3,616	1,483	2,028	1,909	1,203	2,312	1,739
Capital Grants and Contributions	170,943	143,444	133,586	63,830	77,602	141,419	58,400	60,863
Total Business-type Activities Program Revenues	734,709	742,197	771,444	763,188	785,193	885,262	833,314	834,327
Total Primary Government Program Revenues	1,163,263	1,157,085	1,172,728	1,276,135	1,266,361	1,355,042	1,276,772	1,383,905
Net (Expense)/Revenue								
Governmental Activities	(759,383)	(830,004)	(974,249)	(938,851)	(1,006,218)	(1,117,743)	(1,135,731)	(1,168,934)
Business-type Activities	92,702	3,567	58,692	(23,770)	24,211	129,186	64,349	70,084
Total Primary Government Net Expense	(666,681)	(826,437)	(915,557)	(962,621)	(982,007)	(988,557)	(1,071,382)	(1,098,850)

City of San Diego
Changes in Net Assets (Unaudited)
Last Eight Fiscal Years (In Thousands)
(Accrual Basis of Accounting)

Table 2

	Fiscal Year							
	2002 (restated)	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets								
Governmental Activities								
Property Taxes	$ 222,778	$ 248,659	$ 278,804	$ 329,659	$ 459,777	$ 526,722	$ 576,605	$ 607,857
Transient Occupancy Taxes	95,175	105,263	113,209	120,792	136,803	154,810	159,348	140,657
Other Local Taxes	106,723	98,783	139,748	152,577	148,001	157,941	151,267	161,485
Developer Contributions and Fees	36,879	39,577	33,363	47,063	53,502	62,693	38,331	16,148
Grants and Contributions not Restricted to Specific Programs	93,824	91,556	101,086	141,934	64,039	5,339	6,251	8,488
Sales Taxes	233,864	223,594	238,616	197,198	227,017	263,399	269,757	229,651
Investment Income	90,073	84,448	57,537	29,473	40,108	76,292	96,725	75,245
Gain on Sale of Capital Assets	480	92	467	684	1,214	6,546	17,884	1,922
Special and Extraordinary Items	280	870	250	-	-	-	-	-
Miscellaneous	6,983	6,243	4,396	5,232	21,227	25,671	29,570	33,528
Transfers	47,953	5,411	3,806	626	4,530	(3,425)	3,551	(1,225)
Total Governmental Activities General Revenues, Contributions, and Transfers	935,012	904,496	971,282	1,025,238	1,156,218	1,275,988	1,349,289	1,273,756
Business-type Activities								
Investment Income	34,918	31,760	10,289	17,132	16,938	30,713	41,224	31,004
Gain/(Loss) on Sale of Capital Assets	-	(1,761)	8	-	-	-	-	-
Miscellaneous	(1,036)	7,902	5,443	8,815	6,502	5,384	7,850	8,257
Transfers	(47,953)	(5,411)	(3,806)	(626)	(4,530)	3,425	(3,551)	1,225
Total Business-type Activities General Revenues and Transfers	(14,071)	32,490	11,934	25,321	18,910	39,522	45,523	40,486
Total Primary Government General Revenues, Permanent Fund Contributions, and Transfers	920,941	936,986	983,216	1,050,559	1,175,128	1,315,510	1,394,812	1,314,242
Change in Net Assets								
Governmental Activities	175,629	74,492	(2,967)	86,387	150,001	158,245	213,558	104,822
Business-type Activities	78,631	36,057	70,626	1,551	43,121	168,708	109,872	110,570
Total Primary Government Change in Net Assets	$ 254,260	$ 110,549	$ 67,659	$ 87,938	$ 193,122	$ 326,953	$ 323,430	$ 215,392

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

	Fiscal Year			
	2000	2001[1]	2002[1]	2003
General Fund:				
Reserved	$ 21,898	$ 22,128	$ 26,298	$ 21,482
Unreserved	32,508	55,579	43,705	45,570
Total General Fund	$ 54,406	$ 77,707	$ 70,003	$ 67,052
All Other Governmental Funds:				
Reserved	$ 593,837	$ 445,752	$ 574,974	$ 386,652
Unreserved, reported in:				
Special Revenue Funds	119,272	137,040	202,651	185,219
Debt Service Funds	562	1,194	3,740	864
Capital Projects Funds	357,522	320,563	283,250	275,591
Permanent Funds	-	-	-	461
Total All Other Governmental Funds	$ 1,071,193	$ 904,549	$ 1,064,615	$ 848,787

Footnote:
[1] Amounts have been subsequently restated in future periods.

Table 3

Fiscal Year					
2004	**2005**	**2006**	**2007**	**2008**	**2009**
$ 18,550	$ 17,501	$ 21,288	$ 35,858	$ 45,843	$ 33,895
42,672	43,547	40,353	96,190	78,938	80,497
$ 61,222	$ 61,048	$ 61,641	$ 132,048	$ 124,781	$ 114,392
$ 277,968	$ 372,806	$ 401,019	$ 504,693	$ 652,222	$ 706,971
305,909	284,818	267,576	350,096	233,388	221,089
1,650	13	217	29	221,814	265,236
287,259	279,866	406,130	377,648	358,550	430,479
879	1,063	656	1,249	549	2,625
$ 873,665	$ 938,566	$ 1,075,598	$ 1,233,715	$ 1,466,523	$ 1,626,400

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

	Fiscal Year			
	2000	**2001**	**2002**	**2003**
Revenues:				
Property Taxes	$ 179,048	$ 201,801	$ 223,100	$ 248,276
Special Assessments	18,457	18,775	22,491	25,748
Sales Taxes	198,622	221,724	221,383	223,023
In-Lieu Sales Taxes (1)	-	-	-	-
Transient Occupancy Taxes (2)	-	-	-	-
Other Local Taxes	171,141	193,177	202,364	203,493
Licenses and Permits	30,381	34,803	25,194	29,268
Fines, Forfeitures and Penalties	31,141	32,902	25,854	26,679
Revenue from Use of Money and Property	120,966	108,345	97,213	86,789
Revenue from Federal Agencies	52,889	40,136	42,635	56,851
Revenue from Other Agencies	214,559	222,868	171,681	136,359
Revenue from Private Sources	82,382	77,583	140,841	82,410
Charges for Current Services	95,000	101,781	110,418	123,461
Other Revenue	15,462	11,544	10,074	10,594
Total Revenues	1,210,048	1,265,439	1,293,248	1,252,951
Expenditures:				
Current:				
General Government	83,351	95,992	189,128	193,980
Community and Economic Development (4)	16,289	27,830	-	-
Public Safety - Police (3)	395,942	406,580	288,809	301,839
Public Safety - Fire and Life Safety and Homeland Security	-	-	131,974	141,967
Libraries (5)	26,237	31,364	-	-
Parks, Recreation, Culture and Leisure	106,227	116,195	174,485	177,584
Public Works (6)	152,409	152,557	-	-
Housing and Community Development (7)	13,535	13,641	-	-
Public Transportation (4)	14	8	91,746	89,653
Sanitation and Health (4)	-	-	36,851	38,031
Neighborhood Services (4)	-	-	72,087	98,050
Employee Relations and Special Projects	7,761	8,426	-	-
Miscellaneous and Unallocated	1,914	1,371	-	-
Cost of Issuance, Bonds and Notes	360	4,054	-	-
Capital Projects	413,107	467,769	208,083	229,496
Debt Service:				
Principal Retirement	43,027	54,233	39,831	49,858
Interest	127,620	125,330	49,140	65,216
Arbitrage Rebate	-	-	-	-
Cost of Issuance	-	-	-	-
Total Expenditures	1,387,793	1,505,350	1,282,134	1,385,674
Excess (Deficiency) of Revenues Over Expenditures	(177,745)	(239,911)	11,114	(132,723)
Other Financing Sources (Uses):				
Transfers In	5,286	7,130	6,338	11,660
Transfers Out	(32,476)	(28,013)	(16,749)	(8,676)
Transfer to Escrow Agent	-	-	-	(53,974)
Contracts, Notes, and Loans Issued	3,711	222	-	3,891
Bonds Issued	23,459	117,229	253,181	89,340
Other Income	-	-	2,622	8,237
Restatements	(23,063)	-	(104,144)	(136,534)
Total Other Financing Sources (Uses)	(23,083)	96,568	141,248	(86,056)
Net Change in Fund Balances	$ (200,828)	$ (143,343)	$ 152,362	$ (218,779)
Debt Service as a Percentage of Noncapital Expenditures	17.5%	17.3%	8.3%	10.0%

Footnotes:
(1) The City began reporting In-Lieu Sales Taxes separate from Sales Taxes beginning with the fiscal year ended June 30, 2005.
(2) The City began reporting Transient Occupancy Taxes separate from Other Local Taxes beginning with the fiscal year ended June 30, 2004.
(3) Amounts reported as Public Safety - Police prior to the fiscal year ended June 30, 2002 includes Public Safety - Fire & Life Safety.
(4) - (7) Multiple classification adjustments were imposed as a result of implementation of GASB Statement No. 34.

Table 4

Fiscal Year					
2004	2005	2006	2007	2008	2009
$ 279,090	$ 325,857	$ 457,908	$ 521,734	$ 573,311	$ 603,574
26,816	30,263	36,699	36,585	50,274	63,500
238,430	197,198	227,017	264,587	270,791	233,140
-	48,220	45,433	-	-	-
113,209	121,612	136,801	153,574	159,348	140,657
140,016	152,576	148,001	158,046	146,899	171,192
30,592	40,724	42,117	41,425	50,693	39,349
33,870	33,906	35,441	42,932	32,785	34,406
63,268	77,514	89,438	117,552	129,582	107,784
50,493	66,283	43,570	79,735	40,413	70,386
154,559	143,639	58,289	61,977	53,370	52,456
62,143	91,354	91,287	59,549	23,013	21,593
129,350	138,794	127,121	159,877	165,910	203,432
10,462	11,518	25,923	31,027	30,824	25,711
1,332,298	1,479,458	1,565,045	1,728,600	1,727,213	1,767,180
198,826	236,706	290,550	267,461	310,814	344,930
-	-	-	-	-	-
313,387	347,359	408,474	376,762	388,729	406,657
152,073	178,553	212,069	202,031	205,660	225,696
-	-	-	-	-	-
170,163	180,327	216,038	182,197	195,808	211,759
-	-	-	-	-	-
-	-	-	-	-	-
117,619	140,604	147,977	139,349	135,404	162,969
42,184	44,327	49,094	44,729	53,957	78,260
104,205	102,235	112,080	85,544	88,242	73,785
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
174,346	175,493	126,583	106,518	132,432	138,634
49,118	77,952	53,293	68,160	59,228	57,209
68,800	68,201	68,732	82,928	78,133	78,659
421	-	-	-	-	-
-	-	-	5,145	3,618	1,001
1,391,142	1,551,757	1,684,890	1,560,824	1,652,025	1,779,559
(58,844)	(72,299)	(119,845)	167,776	75,188	(12,379)
7,373	10,634	6,975	9,509	10,373	8,246
(16,474)	(2,366)	(1,784)	(3,546)	(9,756)	(6,590)
(10,132)	(32,011)	-	(159,690)	(10,676)	-
27,507	5,435	13,873	13,003	16,063	12,583
66,168	152,056	217,797	182,328	108,121	115,236
3,450	3,278	20,609	19,144	36,228	32,392
-	-	-	-	-	-
77,892	137,026	257,470	60,748	150,353	161,867
$ 19,048	$ 64,727	$ 137,625	$ 228,524	$ 225,541	$ 149,488
9.7%	10.6%	7.8%	10.7%	9.3%	8.3%

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

	City			
Fiscal Year Ended June 30	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value
2000	$ 82,195,239	$ 6,347,101	$ (4,606,047)	$ 83,936,293
2001	89,259,317	6,838,926	(4,955,424)	91,142,819
2002	96,534,652	6,959,602	(4,577,069)	98,917,185
2003	105,602,893	7,230,861	(5,415,535)	107,418,219
2004	115,116,772	6,842,254	(5,690,654)	116,268,372
2005	128,611,940	7,191,819	(5,967,224)	129,836,535
2006	124,598,322	7,063,201	(5,678,208)	125,983,315
2007	137,387,588	7,625,115	(5,861,380)	139,151,323
2008	150,001,428	7,405,798	(6,323,459)	151,083,767
2009	157,927,906	7,873,733	(6,788,981)	159,012,658

Sources: MuniServices, LLC and County of San Diego

Table 5

Redevelopment Agency				
Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
$ 6,637,895	$ 466,314	$ (403,072)	$ 6,701,137	0.198%
7,420,900	482,155	(394,372)	7,508,683	0.205%
8,287,824	526,423	(456,942)	8,357,305	0.208%
9,662,606	593,738	(480,455)	9,775,889	0.212%
9,558,045	483,522	(531,458)	9,510,109	0.222%
10,222,644	505,380	(573,561)	10,154,463	0.233%
14,574,228	633,220	(691,376)	14,516,072	0.326%
17,678,580	896,315	(930,793)	17,644,102	0.333%
20,608,094	894,544	(1,070,838)	20,431,800	0.334%
22,422,105	924,847	(1,146,235)	22,200,717	0.333%

City of San Diego **Table 6**
Direct and Overlapping Property Tax Rates (Unaudited)
($1 Per $100 of Assessed Value)
Last Ten Fiscal Years

	Direct Rate	**Overlapping**		
Fiscal Year Ended June 30	Basic County/ City Rate	City of San Diego	Education	Total
2000	1.00000%	0.00760%	0.09580%	1.10340%
2001	1.00000%	0.00740%	0.09580%	1.10320%
2002	1.00000%	0.00730%	0.09580%	1.10310%
2003	1.00000%	0.00710%	0.09580%	1.10290%
2004	1.00000%	0.00680%	0.00000%	1.00680%
2005	1.00000%	0.00670%	0.00000%	1.00670%
2006	1.00000%	0.01165%	0.10085%	1.11250%
2007	1.00000%	0.01094%	0.08931%	1.10025%
2008	1.00000%	0.01069%	0.08747%	1.09816%
2009	1.00000%	0.01038%	0.07396%	1.08434%

Sources: MuniServices, LLC and County of San Diego

City of San Diego **Table 7**
Principal Property Tax Payers (Unaudited)
Current Year and Nine Years Ago (In Thousands)

Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
For the Fiscal Year Ended June 30, 2009		
Irvine Co.	$ 1,718,022	0.95%
Qualcomm, Inc.	1,329,978	0.73%
Kilroy Realty, LP	1,088,952	0.60%
Arden Realty Ltd. Partnership	642,724	0.35%
O C S D Holdings, LLC	520,855	0.29%
Pfizer, Inc.	477,578	0.26%
Fashion Valley Mall, LLC	447,698	0.25%
San Diego Family Housing, LLC	444,676	0.25%
Sea World, Inc.	395,532	0.22%
Host San Diego Hotel, LLC	391,680	0.22%
For the Fiscal Year Ended June 30, 2000		
Qualcomm, Inc.	$ 513,021	0.61%
Equitable Life Assurance	372,236	0.44%
Sea World, Inc.	264,336	0.31%
Kilroy Realty, LP	264,023	0.31%
Sony Corp of America	240,863	0.29%
Pacific Gateway, Ltd	240,599	0.29%
University Towne Center, LLC	214,175	0.26%
Solar Turbines	208,445	0.25%
Horton Plaza, LLC	184,620	0.22%
Pardee Construction	165,538	0.20%

Sources: 2008-09 MuniServices, LLC and Comprehensive Annual Financial Reports

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City of San Diego **Table 8**

Property Tax Levies and Collections [1] (Unaudited)

Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy: Amount	Collected within the Fiscal Year of Levy: Percent of Levy	Collections in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: Percent of Levy
2000	$ 141,963	$ 137,859	97.11%	$ 2,366	$ 140,225	98.78%
2001	155,060	150,900	97.32%	2,506	153,406	98.93%
2002	167,077	163,357	97.77%	2,089	165,446	99.02%
2003	181,687	175,943	96.84%	2,398	178,341	98.16%
2004	199,630	191,224	95.79%	3,175	194,399	97.38%
2005	227,422	213,173	93.73%	3,152	216,325	95.12%
2006	255,211	240,895	94.39%	4,563	245,458	96.18%
2007	272,983	257,034	94.16%	5,865	262,899	96.31%
2008	289,235	271,657	93.92%	8,102	279,759	96.72%
2009	299,935	284,212	94.76%	11,923	296,135	98.73%

Footnote:

[1] Property Tax Levies and Collections for the General Fund and Zoological Exhibits Fund

Source: County of San Diego

City of San Diego
Ratios of Outstanding Debt by Type (Unaudited)
Last Ten Fiscal Years (In Thousands)

	Governmental Activities					
Fiscal Year Ended June 30	Arbitrage Liability	Capital Lease Obligations	Contracts Payable	Notes Payable	Loans	General Obligation Bonds
2000	$ -	$ 14,284	$ 1,697	$ 33,606	$ 5,972	$ 68,700
2001	-	13,233	3,848	37,962	3,250	63,595
2002	-	38,345	3,597	15,521	28,255	58,095
2003	363	37,701	1,882	8,416	46,117	52,165
2004	262	30,619	1,715	5,998	69,084	45,775
2005	-	30,647	1,715	7,924	62,024	14,530
2006	-	40,541	2,615	7,294	64,199	12,690
2007	-	39,130	2,615	8,555	60,493	10,705
2008	-	61,262	2,615	5,662	70,763	8,580
2009	533	89,519	4,715	4,786	78,347	6,315

	Business-Type Activities					
Fiscal Year Ended June 30	Arbitrage Liability	Capital Lease Obligations	Notes Payable	Loans Payable	Line of Credit	Revenue Bonds Payable
2000	$ -	$ 25,807	$ 1,485,497	$ 17,256	$ 3,569	$ -
2001	-	28,885	1,463,290	60,222	4,169	-
2002*	-	7,612	63,786	-	-	1,433,465
2003	1,812	6,465	-	69,093	-	1,612,200
2004	221	5,008	-	67,054	-	1,731,825
2005	213	3,521	-	63,803	-	1,698,060
2006	193	2,051	-	91,247	-	1,662,705
2007	224	1,006	280,830	101,316	-	1,469,060
2008	586	166	430,830	95,875	-	1,425,445
2009	-	-	-	90,326	-	2,166,906

Footnotes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.
*In fiscal year 2002, loans payable were reclassified as notes payable, and notes payable were reclassified as bond payable.
(a) Ratio is calculated using assessed property values. Personal income data is not available.
(b) Ratio is calculated using population data.

Source: Comprehensive Annual Financial Reports

Table 9

Governmental Activities					
Pooled Financing Bonds	Revenue Bonds/ Lease Revenue Bonds/ Certificates of Participation	Special Assessment/ Special Tax Bonds	Tax Allocation Bonds	Tobacco Settlement Asset-Backed Bonds	Total Governmental Activities
$ -	$ 448,000	$ 70,550	$ 171,101	$ -	$ 813,910
-	434,365	128,545	222,751	-	907,549
-	609,235	125,955	275,471	-	1,154,474
-	609,785	123,130	283,310	-	1,162,869
-	591,620	140,545	314,333	-	1,199,951
-	571,285	137,305	415,778	-	1,241,208
-	549,850	133,605	514,845	105,400	1,431,039
-	521,210	145,625	502,804	102,700	1,393,837
34,115	498,950	144,805	548,643	99,370	1,474,765
33,460	579,500	152,270	534,547	95,380	1,579,372

Business-Type Activities			
Total Business-Type Activities	Total Primary Government	Percentage of Assessed Value (a)	Debt Per Capita (b)
$ 1,532,129	$ 2,346,039	2.75%	$ 1.84
1,556,566	2,464,115	2.66%	1.97
1,504,863	2,659,337	2.65%	2.12
1,689,570	2,852,439	2.62%	2.24
1,804,108	3,004,059	2.55%	2.32
1,765,597	3,006,805	2.29%	2.30
1,756,196	3,187,235	2.53%	2.43
1,852,436	3,246,273	2.33%	2.47
1,952,902	3,427,667	2.27%	2.56
2,257,232	3,836,604	2.41%	2.83

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City of San Diego **Table 10**
Ratios of General Bonded Debt Outstanding (Unaudited)
Last Ten Fiscal Years

Fiscal Year Ended June 30	General Obligation Bonds (Thousands)	Assessed Valuation (Thousands)		Percentage of Assessed Value (a)	Population	Debt Per Capita (b)
2000	$ 68,700	$ 83,936,293		0.082%	1,277,168	$ 53.79
2001	63,595	91,142,819		0.070%	1,250,700	50.85
2002	58,095	98,917,185		0.059%	1,255,742	46.26
2003	52,165	107,418,219		0.049%	1,275,112	40.91
2004	45,775	116,268,372		0.039%	1,294,000	35.37
2005	14,530	129,836,535		0.011%	1,306,000	11.13
2006	12,690	125,983,315	(c)	0.010%	1,311,162	9.68
2007	10,705	139,151,323		0.008%	1,316,837	8.13
2008	8,580	151,083,767		0.006%	1,336,865	6.42
2009	6,315	159,012,658		0.004%	1,353,993	4.66

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

(a) Ratio is calculated using assessed property values. Personal income data is not available.
(b) Ratio is calculated using population data.
(c) The City recognized a fluctuation in Taxable Assessed Value in fiscal year 2006 due to a change in the allocation method between the City & the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44.

Source: Comprehensive Annual Financial Reports

City of San Diego
Direct and Overlapping Debt (Unaudited)
June 30, 2009 (In Thousands)

Table 11

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/09	% Applicable (1)	City's Share of Debt, 6/30/09
Metropolitan Water District	$ 293,425	8.897%	$ 26,106
Palomar Community College District	151,750	25.401%	38,546
San Diego Community College District	628,194	99.910%	627,629
Poway Unified School District School Facilities Improvement District No. 2002-1, 2007-1, 253, 318, & 254	253,318	67.466-65.485%	169,438
San Diego Unified School District	1,550,175	99.913%	1,548,826
Sweetwater Union High School District	347,829	20.255%	70,453
San Ysidro School District	88,702	88.473%	78,477
Other School, High School and Community College Districts	885,704	Various	41,945
Grossmont Healthcare District	85,627	8.030%	6,876
Palomar Pomerado Hospital District	418,568	30.881%	129,258
City of San Diego	6,315	100.000%	6,315
City of San Diego Special Assessment/Special Tax Bonds (3)	152,270	100.000%	152,270
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	29,650	100.000%	29,650
North City West School District Community Facilities District	94,133	100.000%	94,133
Poway Unified School District Community Facilities Districts	303,175	99.609-100.000%	302,982
San Dieguito Union High School District Community Facilities Districts	64,834	39.731-81.063%	32,535
Sweetwater Union High School District Community Facilities Districts	44,237	8.935-100.000%	23,852
Other Special District 1915 Act Bonds	18,997	Various	1,874
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			3,381,165
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	462,405	45.938%	212,420
San Diego County Pension Obligations	986,678	45.938%	453,260
San Diego Superintendent of Schools Certificates of Participation	16,395	45.938%	7,531
Palomar Community College District General Fund Obligations	7,300	25.401%	1,854
Poway Unified School District Certificates of Participation	127,465	71.261%	90,833
Sweetwater Union High School District Certificates of Participation	12,810	20.255%	2,595
Chula Vista School District General Fund Obligations	128,975	4.967%	6,406
San Ysidro School District Certificates of Participation	37,455	88.473%	33,137
Other School, High School and Community College District Certificates of Participation	81,910	Various	2,248
City of San Diego Revenue Bonds, Leased Revenue Bonds, and Certificates of Participation (3)	579,500	100.000%	579,500
Otay Municipal Water District Certificates of Participation	63,635	6.761%	4,302
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			1,394,086
Less: Otay Municipal Water District Certificates of Participation			4,302
Less: Sweetwater Union High School District QZABs supported by investment fund payments			1,013
Less: Santee School District QZABs supported by investment fund payments			96
Less: San Ysidro School District QZABs supported by investment fund payments			4,424
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			1,384,251
GROSS COMBINED TOTAL DEBT (2)			4,775,251
NET COMBINED TOTAL DEBT			$ 4,765,416

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

(3) Amounts for total debt reconcile to Note 5.

City of San Diego **Table 11**
Direct and Overlapping Debt (Unaudited)
June 30, 2009 (In Thousands)
(Continued)

Ratios to 2008-09 Assessed Valuation:	
Direct Debt ($6,315)	0.003%
Total Gross Direct and Overlapping Tax and Assessment Debt	2.64%
Total Net Direct and Overlapping Tax and Assessment Debt	2.63%
Ratios to Adjusted Assessed Valuation:	
Combined Direct Debt ($585,815) (1)	0.37%
Gross Combined Total Debt	3.00%
Net Combined Total Debt	3.00%
(1) City of San Diego	$ 6,315
City Authorities and Certificates of Participation	579,500
	$ 585,815

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: $0

Source: California Municipal Statistics, Inc. and Comprehensive Annual Financial Report

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

	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003
Assessed valuation (restated) [1]	$ 83,936,293	$ 91,142,819	$ 98,917,185	$ 107,418,219
Conversion percentage *	25%	25%	25%	25%
Adjusted assessed valuation	20,984,073	22,785,705	24,729,296	26,854,555
Debt limit percentage **	25%	25%	25%	25%
Debt limit [2]	5,246,018	5,696,426	6,182,324	6,713,639
Total net debt applicable to limit:				
General Obligation Bonds	19,170	18,075	16,920	15,690
Legal debt margin	5,226,848	5,678,351	6,165,404	6,697,949
Total debt applicable to the limit as a percentage of the debt limit	0.37%	0.32%	0.27%	0.23%

Footnotes:

[1] The City recognized a fluctuation in Taxable Assessed Value in fiscal year 2006 due to a change in the allocation method between the City & the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44.

[2] The current debt limitation for Water is 15% of the Adjusted Assessed Valuation, or $5,962,975, and the debt limitation for other purposes is 10% of the Adjusted Assessed Valuation, or $3,975,316.

* The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value. The calculations shown above present a conversion of assessed valuation data for each fiscal year from the current 100% valuation to the 25% level that was in effect at the time the legal debt margin was enacted.

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

Source: MuniServices, LLC

Table 12

Fiscal Year					
2004	**2005**	**2006**	**2007**	**2008**	**2009**
$ 116,268,372	$ 129,836,535	$ 125,983,315	$ 139,151,323	$ 151,083,767	$ 159,012,658
25%	25%	25%	25%	25%	25%
29,067,093	32,459,134	31,495,829	34,787,831	37,770,942	39,753,165
25%	25%	25%	25%	25%	25%
7,266,773	8,114,783	7,873,957	8,696,958	9,442,735	9,938,291
14,390	13,010	11,520	9,905	8,170	6,315
7,252,383	8,101,773	7,862,437	8,687,053	9,434,565	9,931,976
0.20%	0.16%	0.15%	0.11%	0.09%	0.06%

City of San Diego
Pledged-Revenue Coverage - Water Bonds (Unaudited)
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Total System Revenues	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues [1]	Less: Interest Earnings on Reserve Fund - Senior Obligations	Adjusted Net System Revenues [2]
2000	$ 255,736	$ 213,358	$ 42,378	$ -	$ 42,378
2001	255,974	214,056	41,918	(54)	41,864
2002	261,333	222,104	39,229	(3,444)	35,785
2003	256,968	226,058	30,910	(1,305)	29,605
2004	267,649	232,193	35,456	(1,296)	34,160
2005	294,904	234,392	60,512	(1,262)	59,250
2006	303,453	242,180	61,273	(1,228)	60,045
2007	336,599	255,486	81,113	(1,346)	79,767
2008	350,770	258,813	91,957	(1,481)	90,476
2009	364,413	263,280	101,133	(2,668)	98,465

[1] Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Water System for the fiscal year.

[2] 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.

[3] All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.

Source: Comprehensive Annual Financial Reports

Table 13

Senior Debt Service						All Obligations [3]	
Principal	Interest	Total	Less: Senior Interest Earnings	Adjusted Debt Service	Adjusted Debt Service Coverage	Total Debt Service	Aggregate Debt Service Coverage
$ -	$ 18,730	$ 18,730	$ -	$ 18,730	2.26	$ 18,730	2.26
-	18,730	18,730	(54)	18,676	2.24	18,730	2.24
6,780	18,594	25,374	(3,444)	21,930	1.63	25,510	1.54
7,055	16,308	23,363	(1,305)	22,058	1.34	27,002	1.14
7,345	14,010	21,355	(1,296)	20,059	1.70	34,861	1.02
7,645	13,710	21,355	(1,262)	20,093	2.95	34,861	1.74
7,965	13,390	21,355	(1,228)	20,127	2.98	35,549	1.72
8,305	13,046	21,351	(1,346)	20,005	3.99	40,759	1.99
8,675	12,679	21,354	(1,481)	19,873	4.55	43,082	2.13
9,065	12,289	21,354	(2,668)	18,686	5.27	49,600	2.04

City of San Diego
Pledged-Revenue Coverage - Sewer Bonds (Unaudited)
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Total System Revenues [1]	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues [2]	Senior Debt Service Principal	Senior Debt Service Interest	Senior Debt Service Total
2000	$ 291,238	$ 137,007	$ 154,231	$ 18,300	$ 58,755	77,055
2001	283,228	168,853	114,375	22,150	54,905	77,055
2002	310,392	170,022	140,370	23,045	54,009	77,054
2003	334,551	241,822	92,729	24,000	53,046	77,046
2004	296,169	196,823	99,346	25,030	52,020	77,050
2005	322,542	204,163	118,379	26,120	50,935	77,055
2006	320,288	202,111	118,177	27,390	49,662	77,052
2007 [4]	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

[1] 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.

[2] Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Wastewater System for the fiscal year.
[3] All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.
[4] Senior Debt Service principal and interest amounts for FY 2007 were updated for correct amounts.

Source: Comprehensive Annual Financial Reports

Table 14

	All Obligations [3]	
Senior Debt Service Coverage	Total Debt Service	Aggregate Debt Service Coverage
2.00	$ 77,055	2.00
1.48	77,688	1.47
1.82	77,888	1.80
1.20	80,995	1.14
1.29	81,516	1.22
1.54	84,789	1.40
1.53	86,802	1.36
1.83	96,408	1.47
1.95	94,555	1.59
2.03	94,305	1.65

City of San Diego **Table 15**
Demographic and Economic Statistics (Unaudited)
Last Ten Fiscal Years

Fiscal Year Ended June 30	Population [1]	Personal Income [2] (Thousands $)	Per Capita Personal Income ($)	Unemployment Rate [3]
2000	1,277,168	N/A	N/A	3.2%
2001	1,250,700	N/A	N/A	2.3%
2002	1,255,742	31,859,430	25,371	3.7%
2003	1,275,112	32,794,606	25,719	4.4%
2004	1,294,000	35,896,854	27,741	5.0%
2005	1,306,000	38,523,082	29,497	4.5%
2006	1,311,162	37,749,536	28,791	4.3%
2007	1,316,837	39,302,317	29,846	4.0%
2008	1,336,865	42,678,078	31,924	4.6%
2009	1,353,993	42,857,116	31,652	6.0%

Footnotes:
[1] Population projections are provided by the California Department of Finance Projections.
[2] Income data is provided by the United States Census Data and is adjusted for inflation.
[3] Unemployment data is an annual percentage provided by the EDD's Bureau of Labor Statistics Department.

Sources: 2008-09 MuniServices, LLC, and Comprehensive Annual Financial Reports

City of San Diego **Table 16**
Principal Employers (Unaudited)
Fiscal Year-End 2009 [1]

Employer	Number of Employees	Percentage of Total Employment [2]
United States Navy [3]	55,300	7.91%
San Diego Unified School District [4]	21,959	3.14%
University of California San Diego	19,435	2.78%
San Diego County [5]	17,900	2.56%
Sharp Memorial Hospital	14,724	2.11%
City of San Diego [6]	10,799	1.54%
Kaiser Permanente	7,220	1.03%
University of San Diego	6,086	0.87%
Qualcomm, Inc.[7]	6,000	0.86%
UC San Diego Medical Center	5,300	0.76%
Total Top Employers	164,723	23.56%

Footnotes:
[1] Past data going back to fiscal year-end 2000 is not available for a 10 year comparison.
[2] Percentage based on total employment of 699,200 provided by the EDD Labor Force Data.
[3] Employee count includes Navy personnel only (civilian/military).
[4] Employee count is district-wide.
[5] Employee count is county-wide.
[6] Employee count is provided by the City of San Diego, Office of the Comptroller - Payroll Division
[7] Qualcomm's employee count is the same a last year's report. The current year employee count was not available.

Source: 2008-09 MuniServices, LLC

City of San Diego **Table 17**
Full-time and Part-time City Employees by Function (Unaudited)
Last Nine Fiscal Years [1]

Function	Fiscal Year 2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government and Support	1,864	2,015	2,039	1,990	1,944	1,816	1,870	1,979	2,248
Public Safety - Police	2,854	2,875	2,836	2,730	2,774	2,628	2,627	2,712	2,674
Public Safety - Fire and Life Safety	1,286	1,314	1,355	1,352	1,373	1,322	1,333	1,314	1,304
Parks, Recreation, Culture and Leisure	2,041	2,023	2,052	1,822	1,777	1,701	1,663	1,705	1,682
Transportation	490	517	513	501	461	447	339	326	279
Sanitation and Health	164	163	161	161	148	144	129	150	164
Neighborhood Services	267	259	260	235	234	177	148	154	145
Airports	19	20	21	19	17	14	14	15	16
Development Services	480	498	463	524	535	482	426	392	329
Environmental Services	209	222	225	219	219	196	188	164	168
Golf Course	69	70	73	82	81	88	95	88	97
Recycling	99	118	120	119	116	121	108	98	100
Sewer Utility	972	1,052	1,108	1,071	1,050	976	906	863	817
Water Utility	967	997	979	975	943	878	839	829	776
Total Employees	11,781	12,143	12,205	11,800	11,672	10,990	10,685	10,789	10,799

Footnote:
[1] Data only available for the last nine fiscal years.

Source: City of San Diego, Office of the Comptroller - Payroll Division

City of San Diego **Table 18**
Operating Indicators by Function (Unaudited)
Last Four Fiscal Years [1]

Function	Fiscal Year 2006	2007	2008	2009
Public Safety - Police				
Calls for police services dispatched	626,067	623,940	631,371	668,989
Calls for 9-1-1 emergencies	471,927	518,291	526,391	506,738
Public Safety - Fire and Life Safety				
Fire Department:				
Emergency calls - fire	3,579	3,392	4,445	3,868
Emergency calls - medical/rescue	84,882	87,789	91,932	94,422
Emergency calls - other	12,918	13,010	13,635	13,671
Lifeguard:				
Water rescues	5,075	3,696	4,771	5,233
Other rescues	4,490	3,388	4,334	4,813
Beach attendance	21,277,945	21,253,050	20,275,495	21,166,884
Parks, Recreation, Culture and Leisure				
Parks and Recreation:				
Number of aquatic users [2]	333,688	293,300	325,080	311,173
Number of youth served in after school program sites [2]	80,837	57,111	88,032	84,140
Library:				
Circulation	7,003,040	7,167,104	7,374,378	7,651,619
Total attendance - all libraries	6,017,790	6,040,091	6,234,038	6,601,210
Sewer Utility				
Average daily sewage flow (millions of gallons)	180.95	175.13	175.29	170.78
Average daily peak - maximum sewage flow [3] (millions of gallons)	224.41	215.67	242.19	268.29
System daily capacity (millions of gallons)	255.00	255.00	255.00	255.00
Water Utility				
Average daily consumption (millions of gallons)	204.74	220.28	204.00	194.00
Maximum daily consumption (millions of gallons)	279.47	291.17	298.00	283.00
Total water consumption (millions of gallons)	74,730	79,606	74,430	70,893
Total water deliveries [4] (millions of gallons)	79,486	83,202	80,100	77,014

Footnotes:

[1] Historical data for prior years is unavailable.

[2] Estimated figure

[3] 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.

[4] Includes filtered and raw water

Source: Citywide departments

City of San Diego
Capital Asset Statistics by Function (Unaudited)
Last Ten Fiscal Years

Function	Fiscal Year 2000	2001	2002	2003
Public Safety - Police				
Stations	9	10	10	10
Public Safety - Fire and Life Safety				
Fire stations	43	43	43	43
Parks, Recreation, Culture and Leisure				
Park and recreation sites [1]	416	416	444	460
Transportation				
Miles of streets -asphalt,concrete, & dirt [2]	3,820	3,820	3,112	2,985
Airports				
Municipal airports	2	2	2	2
Golf Course				
Municipal golf courses [3]	9	9	9	10
Sewer Utility				
Miles of sewers	2,592	2,610	2,620	2,950
Sewer service laterals	263,107	265,212	266,342	268,372
Water Utility				
Miles of water distribution mains	3,125	3,139	3,157	3,280
Water meters in service	261,361	263,468	266,627	267,845
Fire hydrants	23,399	23,476	23,844	24,145

Footnotes:
[1] 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.

[2] In prior years, miles of streets also included alleys and dirt streets. Since FY 2006, Transportation provided the statistic only for miles of asphalt and concrete streets.

[3] Includes City operated as well as leased golf courses.

Sources: Comprehensive Annual Financial Reports, Citywide departments

Table 19

Fiscal Year					
2004	**2005**	**2006**	**2007**	**2008**	**2009**
10	10	10	10	10	10
45	45	45	46	47	47
363	367	370	380	380	384
2,985	2,800	2,685	2,700	2,721	2,721
2	2	2	2	2	2
10	10	10	10	10	10
3,028	3,030	2,993	3,018	3,076	3,023
270,365	271,284	271,445	274,014	273,081	273,438
3,317	3,319	3,336	3,381	3,263	3,281
270,022	271,204	272,466	273,304	278,692	274,310
24,428	24,600	24,661	24,905	25,003	25,023

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APPENDIX D
SUMMARY OF LEGAL DOCUMENTS

The following is a brief summary of the provisions of the Indenture, the Lease, and the Site Lease pertaining to the Series 2010A Bonds that are not summarized elsewhere in this Official Statement. This summary is not intended to be definitive, and is qualified in its entirely by reference to the full terms of such documents.

CERTAIN DEFINITIONS

The following are definitions of certain terms used in the Indenture, the Lease, the Site Lease and this Official Statement, which are not otherwise defined in this Official Statement. Reference is made to the entire documents for the definitions of all terms used in such documents. The following definitions are equally applicable to both singular and plural forms of any of the terms defined in the Indenture:

"1996A Trustee" means The Bank of New York Mellon Trust Company, N.A., as trustee for the 1996A Bonds

"1996B Trustee" means The Bank of New York Mellon Trust Company, N.A., as trustee for the 1996B Certificates.

"2009A Indenture" means the Indenture, dated as of March 1, 2009, between the Authority and the 2009A Trustee, pursuant to which the 2009A Bonds were issued.

"2009A Project" means the acquisition, construction, installation and improvements by the City of the property and facilities to be financed with the proceeds of the Series 2009A Bonds deposited in the Construction Fund.

"2009A Trustee" means Wells Fargo Bank, National Association and any successor trustee appointed pursuant to the 2009A Indenture.

"Addition" means the addition of Leased Property to the leasehold of the Lease, and the lease of additional real property and improvements under the Lease from the Authority to the City, as provided in the Lease.

"Additional Bonds" means all bonds of the Authority authorized by and at any time outstanding pursuant to the Indenture and executed, issued and delivered in accordance with the Indenture.

"Additional Projects" means public capital improvements, including equipment, financed in whole or in part with the proceeds of Additional Bonds.

"Additional Rental" means amounts payable by the City as described under "THE LEASE — Rental Payments — Additional Rental" herein.

"Agency" means the Redevelopment Agency of the City of San Diego, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California.

"Authorized Representative" means: (a) with respect to the Authority, its Chair, Vice Chair, Treasurer or Secretary or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Chair or Vice Chair, and filed with the City and the Trustee; and (b) with respect to the City, its Chief Financial Officer, or any other person duly designated by its Chief Financial Officer as an Authorized Representative of the City by a Written Certificate of the Chief Financial Officer filed with the City and the Trustee.

"Base Rental Payment Schedule" means the schedule of Base Rental Payments attached to the Lease, as from time to time amended as permitted in the Lease.

"Bond Counsel" means (a) Squire, Sanders & Dempsey L.L.P., or (b) any other firm of attorneys, designated by the City, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America. Any Opinion of Bond Counsel may be based, insofar as it relates to factual matters, upon information that is in the possession of the City or the Trustee, as applicable, upon a certificate or opinion of, or representation by, an officer or officers of the City, the Trustee or the Authority, unless such Counsel knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which their opinion may be based, is erroneous.

"Bond Year" means each twelve-month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, both dates inclusive; provided that the first Bond Year with respect to the Series 2010A Bonds shall commence on the Closing Date and end on September 1, 2010.

"Bonds" means the Series 2010A Bonds and any Additional Bonds, authorized by and at any time outstanding pursuant to the Indenture.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in San Diego, California or New York, New York are authorized or required by law to close, or (iii) a day upon which the Trustee is authorized by law to remain closed.

"Certificate of Completion" means a Certificate of the City filed with the City Treasurer stating that the 2009A Project, which was financed with the proceeds of the 2009A Bonds deposited into the Construction Fund, has been acquired, constructed, installed and improved and that all Construction Costs have been paid or provided for.

"Closing Date" means the date of delivery of the Series 2010A Bonds to the original purchaser thereof.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or, where pertinent, its statutory predecessor, the Internal Revenue Code of 1954, as amended (the "1954

Code"). Reverences to the Code and Sections of the Code include relevant applicable regulations and proposed regulations under the Indenture and under the 1945 Code, as amended from time to time, and any successor provision to those Sections, regulations or proposed regulations and, in addition, all revenue rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the Bonds.

"Construction Costs" means all costs of acquiring, constructing, installing or improving the 2009A Project, including but not limited to:

(i) all costs which the Authority or the City shall be required to pay to a manufacturer, vendor or contractor or any other person under the terms of any contract or contracts for the acquisition, construction, installation or improvement of the 2009A Project;

(ii) obligations of the Authority or the City incurred for labor and materials (including obligations payable to the Authority or the City for actual out of pocket expenses of the Authority or the City) in connection with the acquisition, construction, installation or improvement of the Project, including reimbursement to the Authority or the City for all advances and payments made in connection with the 2009A Project prior to or after delivery of the 2009A Bonds;

(iii) the costs of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of acquisition, construction, installation or improvement of the 2009A Project;

(iv) all costs of engineering and architectural services, including the actual out of pocket costs of the Authority or the City for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and sales commissions, and for supervising acquisition, construction, installation and improvement, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction, installation or improvement of the 2009A Project; and

(v) any sums required to reimburse the Authority or the City for advances made by the Authority or the City for any of the above items or for any other costs incurred and for work done by the Authority or the City which are properly chargeable to the acquisition, construction, installation or improvement of the 2009A Project.

"Construction Fund" means the Construction Fund which was originally established under the 2009A Bond Indenture, and which is now governed by the Indenture.

"Costs of Issuance" means all expenses directly or indirectly incurred in connection with the authorization, execution and delivery of the Site Lease, the Lease and the Indenture (including any supplements or amendments) and the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority or the City, initial fees and expenses of the Trustee (including but not limited to fees and expenses for legal counsel), compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation, reproduction and publication of documents, out-of-pocket expenses of the Authority or the City, Authority and City staff costs and costs of printing.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Damaged Improvement" shall have the meaning contained in the Lease as described under the subheading "THE LEASE — Damage, Destruction, Title Defect and Condemnation".

"Debt Service" means, during any period of computation, the amount obtained for such period by totaling the following amounts: (a) the principal amount of all Outstanding Bonds coming due and payable by their terms in such period; and (b) the interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

"Defeasance Obligations" means (a) Federal Securities and Federal Certificates which are fixed rate and not callable for redemption prior to their maturity by any person other than the owner thereof and (b) other Permitted Investments (i) which either are not callable for redemption prior to their maturities by any person other than the owner thereof or for which an option to redeem prior to maturity has previously been irrevocably exercised (or an irrevocable covenant to exercise such option has previously been made by the person entitled to exercise such option) and the redemption date of such securities has thereby been irrevocably fixed prior to the use of any such securities as Defeasance Obligations, and (ii) which are rated, at the time of their initial deposit with the Trustee as Defeasance Obligations, by S&P and Moody's in their highest Rating Category.

"Event of Default," with respect to the Indenture, means any of the events described under the "THE INDENTURE — Events of Default; Notice" herein and, with respect to the Lease, means any of the events described under "THE LEASE — Default" herein.

"Expiry Date" means March 1, 2040, except as extended or sooner terminated pursuant to the terms of the Lease, or such other date or dates as set forth in an amendment to the Lease.

"Federal Certificates" means evidences of indebtedness or ownership of proportionate interests in future principal and interest payments of Federal Securities, including depository receipts thereof, wherein (i) a bank or trust company acts as custodian and holds the underlying Federal Securities; (ii) the owner of the Federal Certificate is a real party in interest with the right to proceed directly and individually against the obligor of the underlying Federal Securities; and (iii) the underlying Federal Securities are held in trust in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian or any person claiming through the custodian, or any person to whom the custodian may be obligated.

"Federal Securities" means: direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or evidence of ownership in a portion thereof (which may consist of specified portions of interest thereon and obligations of the Resolution Funding Corporation which constitute interest strips) if held by a custodian on behalf of the Trustee; obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; and prerefunded municipal obligations rated, at the time of purchase, by Moody's and S&P in their highest Rating Category; provided that "structured securities" (including flip notes, range notes, inverse floaters and step-ups) will not be considered Federal Securities; provided further that floaters (based on single, interest rate based indices) and callable securities of the above-enumerated agencies may be treated as Federal Securities.

"Financing Documents" means the Lease, the Site Lease, and the Indenture.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority or the City, as applicable, as its official fiscal year period.

"Independent Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the City, and who, or each of whom:

(a) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Authority or the City;

(b) does not have a substantial financial interest, direct or indirect, in the operations of the Authority or the City; and

(c) is not connected with the Authority or the City as a member, officer or employee of the Authority or the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority or the City.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, NJ 07302, Attention: Editor; Mergent/FIS, Inc., 5250 77 Center Drive, Suite 150 Charlotte, NC 28217, Attention: Called Bond Dept.; Kenny S&P, 55 Water Street, New York, NY 10041, Attention: Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission; or to such other addresses and/or such other national information services providing information with respect to the redemption of bonds as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

"Insurance and Condemnation Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Insurance Consultant" means an individual or firm retained by the City as an independent insurance consultant, experienced in the field of risk management.

"Interest Account" means the account by that name established in the Revenue Fund pursuant to pursuant to the Indenture.

"Lease Year" means the period from September 2 to and including the following September 1 during the term of the Lease; except that the initial Lease Year means the period from the Closing Date to and including September 1, 2010.

"Master Facilities Lease" means the Master Facilities Lease, dated as of May 1, 2010, between the City and the Authority.

"Net Proceeds" means amounts derived by the City from any policy of casualty insurance with respect to any portion of the Leased Property, or the proceeds of any taking of the Leased Property or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

"Office" means, with respect to the Trustee, the designated corporate trust office of the Trustee which is initially located in Los Angeles, California, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate agency business shall be conducted.

"Original Purchaser" means the original purchaser(s) of the Series 2010A Bonds upon their delivery by the Trustee on the Closing Date.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of described under "THE INDENTURE — Miscellaneous — Limitation of Rights to Parties and Bond Owners" herein) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, as described under the subheading "THE INDENTURE — Defeasance — Deposit of Money or Securities with Trustee to Defease Bonds" herein, including Bonds (or portions thereof) described under the subheading "THE INDENTURE — Miscellaneous — Limitation of Rights to Parties and Bond Owners" herein; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Owner," whenever used in the Indenture with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

"Permitted Encumbrances" means, as of any particular time:

(a) (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to the Lease, permit to remain unpaid; (ii) the Lease, the Site Lease, the Indenture and Existing Leases, as each may be amended from time to time pursuant to its terms; (iii) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (iv) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, which (A) exist as of the date of recordation of the Master Facilities Lease or (B) are established thereafter, including without limitation, in a supplement or amendment to the Lease which adds Added Property or Substituted Property to the Leased Property, which Added Property or Substituted Property is subject to such restriction, and no restriction in (A) and (B) substantially interferes with City's right to use and occupy such real property; and (v) rights granted by the City pursuant to the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS — Repair and Maintenance; Taxes and Assessments; Insurance; Modification of the Leased Property" in the front part of this Official Statement; and

(b) in all cases will not result in abatement of Base Rental Payments payable by the City under the Lease.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(i) Federal Securities or Federal Certificates;

(ii) The following listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(a) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

(b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes

(c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations

(d) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

(iii) Obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing, that are rated, at the time of purchase, in the highest Rating Category by two Rating Agencies;

(iv) Bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are rated, at the time of purchase, by "A1/P1/F1" by two Rating Agencies or, if the term of such indebtedness is longer than one year, rated in the highest Rating Category by two Rating Agencies;

(v) Taxable commercial paper or tax-exempt commercial paper with a maturity of not more than 270 days, which are rated, at the time of purchase, "A1/P1/F1" by two Rating Agencies;

(vi) Deposit accounts or certificates of deposit, whether negotiable or non-negotiable, issued by a state or national bank (including the Trustee) or a state or federal savings and loan association or a state-licensed branch of a foreign bank; provided, however, that such certificates of deposit or deposit accounts shall be either (a) continuously insured by the Federal Deposit Insurance Corporation; or (b) have maturities of not more than 365 days (including certificates of deposit) and are issued by any state or national bank or a state or federal savings and loan association, the short-term obligations of which are rated, at the time of purchase, in the highest short term rating by two Rating Agencies ;

(vii) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which bank has short-term obligations outstanding which are rated, at the time of purchase, by two Rating Agencies in the highest short-term Rating Category, and which bankers acceptances mature not later than 365 days from the date of purchase;

(viii) Any repurchase agreement: (a) with (i) any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee), or a state-licensed branch of a foreign bank, having a minimum permanent capital of one hundred million dollars ($100,000,000) and having short-term debt which is rated, at the time of the purchase, by two Rating Agencies in one of the three highest short-term Rating Categories; or (ii) any government bond dealer reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York; and (b) which agreement is secured by any one or more of the securities and obligations described in clause (i) or (ii) of this definition and having maturities equal to or less than 5 years from the date of delivery, which shall have a market value (valued at least monthly) not less than 102% of the principal amount of such investment and shall be placed with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement. The entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to the Trustee that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least monthly) will be an amount equal to 102% the principal amount of such repurchase agreement, and the Trustee shall be entitled to rely on each such undertaking;

(ix) Any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (i), (ii), (iii) and (viii) of this definition and any money market fund, the entire investments of which are limited to investments described in clauses (i), (ii) (iii) and (viii) of this definition and which money market fund is rated, at the time or purchase, by two Rating Agencies in the highest Rating Category;

(x) Any guaranteed investment contract, including forward delivery agreements ("FDAs") and forward purchase agreements ("FPAs"), with a financial institution or insurance company which has (or which is unconditionally guaranteed by a legal entity which has), at the date of execution thereof, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims-paying ability which is rated, at the time of purchase, by two Rating Agencies in one of two highest long-term Rating Categories. Only Permitted Investments described in clause (i) and (ii) above and having maturities equal to or less than 30 years from their date of delivery will be considered eligible for any collateralization/delivery purposes for guaranteed investment contracts, FDAs or FPAs;

(xi) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State or of any political subdivision or public agency thereof which are rated, at the time of purchase, by two Rating Agencies in the highest short-term Rating Category or within one of the three highest long-term Rating Categories, but excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date;

(xii) For amounts less than $100,000, interest-bearing demand or time deposits (including certificates of deposit) in a nationally or state-chartered bank, or a state or federal savings and loan association in the State, fully insured by the Federal Deposit Insurance Corporation, including the Trustee or any affiliate thereof;

(xiii) Investments in taxable money market funds or portfolios restricted to obligations with an average maturity of one year or less and which funds or portfolios are: (a) rated, at the time of purchase, by two Rating Agencies in one of the two highest Rating Categories; or (b) have or are portfolios guaranteed as to payment of principal and interest by the full faith and credit of the United States of America;

(xiv) Investments in the City's pooled investment fund;

(xv) Investments in the Local Agency Investment Fund created pursuant to Section 16429.1 of the Government Code of the State;

(xvi) Shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (i) through (xiii) of this definition and which companies are: (a) rated, at the time of purchase, by two Rating Agencies in the highest Rating Category; or (b) have an investment advisor registered with the Securities and Exchange Commission with not less than five years' experience investing in such securities and obligations and with assets under management in excess of five hundred million dollars ($500,000,000);

(xvii) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which consists exclusively of investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended; and

(xviii) Any other investment, with confirmation (or other action, satisfactory to the City) from each rating agency that has a current rating on the Bonds at the time of initial purchase thereof, that its rating on the Bonds will not be lowered or withdrawn as a result of such investment.

"Principal Account" means the account by that name established in the Revenue Fund pursuant to the Indenture.

"Rating Agency" means Moody's, S&P or Fitch.

"Rating Category" means one of the generic categories of rating by a Rating Agency applicable to a Permitted Investment, without regard to any refinement or graduation of such rating category by a plus or minus sign or a numeral.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established pursuant to the Indenture.

"Registration Books" means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

"Removal" means the release of all or a portion of the Leased Property from the leasehold as provided in the Lease.

"Reserve Fund" means any fund by that name established with respect to one or more Series of Bonds pursuant to the Indenture or to a Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

"Revenue Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture and all accounts and funds in the Indenture.

"Revenues" means (a) all Base Rental Payments, prepayments, insurance proceeds, condemnation proceeds, (b) the Revenue Fund and all interest and other income deposited, pursuant to the Indenture, in the Revenue Fund and (c) with respect to a particular Series of Bonds, the Reserve Fund securing such Series.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in a Written Certificate of the City delivered to the Trustee.

"Series," or "series" whenever used with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

"Site" means that certain real Leased Property more particularly described in Exhibit A to the Site Lease and in Exhibit A to the Lease.

"Substitution" means the release of all or a portion of the Leased Property from the leasehold of the Lease, and the lease of substituted real property and improvements under the Lease as provided in the Lease.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Agreement" means the Tax Compliance Agreement of the Authority and City, dated the Closing Date, with respect to tax matters relating to the Series 2010A Bonds.

"Written Certificate," "Certificate," "Written Request," "Request" and "Written Requisition" of the Authority or the City mean, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

THE INDENTURE

Certain of the provisions of the Indenture are summarized below; this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

Equal Security

In consideration of the acceptance of the Bonds by the Owners thereof, the Indenture shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of the Bonds; and the covenants and agreements set forth in the Indenture to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

Issuance of Bonds

Transfer and Exchange of Bonds.

So long as a Bond is not held in a Book-Entry only system by DTC or another Securities Depository, any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Transfer of any Bond shall not be permitted by the Trustee during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to the Indenture. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds for a like aggregate principal amount and of like maturity. The Trustee may require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Authority.

Any Bond may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity. Exchange of any Bond shall not be permitted during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to the Indenture. The Trustee may require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Authority.

Conditions for the Issuance of Additional Bonds.

The Authority may at any time issue Additional Bonds pursuant to a Supplemental Indenture, payable from the Revenues as provided in the Indenture and secured by a pledge of and charge and lien upon the Revenues as provided in the Indenture equal to the pledge, charge and lien securing the Outstanding Bonds theretofore issued under the Indenture, and subject to the following specific conditions, which are conditions precedent to the issuance of any such Additional Bonds:

(a) No Event of Default shall be continuing after giving effect to the issuance of the Additional Bonds and the application of the proceeds thereof.

(b) The Supplemental Indenture shall require that the proceeds of the sale of such Additional Bonds shall be applied to finance or refinance capital improvements, or for the refunding or repayment of any Outstanding Bonds or other obligations of the City issued to finance or refinance capital improvements, including the payment of costs and expenses of and incident to the authorization and sale of such Additional Bonds. The Supplemental Indenture may also provide that a portion of such proceeds shall be applied to the payment of the interest due or to become due on said Additional Bonds during the estimated period of any construction and for a period of not to exceed twelve (12) months thereafter.

(c) The Supplemental Indenture shall establish a Reserve Fund securing such Series of Additional Bonds (which may be a Reserve Fund also securing other Series of Bonds) and shall provide that from proceeds of such Series or other sources there shall be deposited in the Reserve Fund securing such Series of Additional Bonds an amount at least equal to the Reserve Requirement for all Series of Bonds secured by such Reserve Fund.

(d) The aggregate principal amount of Bonds issued and at any time Outstanding under the Indenture shall not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture.

(e) The Lease shall have been amended, if necessary, so that the Base Rental Payments payable by the City under the Lease in each Fiscal Year shall at least equal projected Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year.

(f) If the additional facilities, if any, to be leased are not situated on Leased Property described in the Lease and the Site Lease, then the Lease and Site Lease shall have been amended to add such additional Leased Property.

Nothing in the Indenture shall prevent payment of Debt Service on any Series of Additional Bonds from being secured and payable from sources, or by property, instruments or documents, not applicable to the Bonds or any one or more Series of Additional Bonds.

Proceedings for Authorization of Additional Bonds.

Whenever the Authority and the City shall determine to execute and deliver any Additional Bonds pursuant to the Indenture, the Authority and the Trustee shall enter into a Supplemental Indenture providing for the issuance of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds. The Supplemental Indenture shall prescribe the form or forms of such Additional Bonds and, subject to the provisions of the Indenture, shall provide for the distinctive designation, denominations, method of numbering, dates, interest rates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional Bonds shall be issued, the City and the Authority shall file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Bond Counsel setting forth (1) that such Bond Counsel has examined the Supplemental Indenture and the amendment to the Lease and to the Site Lease required by the Indenture, as described under the subheading "Issuance of Bonds — Conditions for the Issuance of Additional Bonds" herein; (2) that the execution and delivery of the Additional Bonds have been duly authorized by the City and the Authority; and (3) that said amendment to the Lease and to the Site Lease, when duly executed by the City and the Authority, will be a valid and binding obligation of the City and the Authority.

(b) A Certificate of the City that the requirements of the Indenture described herein under the subheading "Issuance of Bonds — Conditions for the Issuance of Additional Bonds" have been met.

(c) A Certificate of the City stating that the insurance required by the Lease as described under "THE LEASE — Maintenance; Taxes; Insurance and other Charges — Insurance" herein and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS — Fire and Extended Coverage Insurance," "— Use and Occupancy Insurance" and "— Title Insurance" in the front part of this Official Statement is in effect.

Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's receipt of Certificates of the City and of the Authority stating that all applicable provisions of the Indenture have been complied with (so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Indenture then delivered to the Trustee), the Trustee shall execute and deliver said Additional Bonds, in the aggregate principal amount specified in such Supplemental Indenture, to, or upon the Written Request of the Authority.

Limitations on the Issuance of Obligations Payable from Revenues.

The Authority will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, however denominated, payable in whole or in part from Revenues except the following:

(a) Bonds of any Series authorized pursuant to the Indenture;

(b) Obligations which are junior and subordinate to the payment of the Debt Service and Reserve Requirement for the Bonds and any other amounts payable under the Indenture and related to the Bonds; which subordinated obligations are payable as to principal, premium, interest, reserve fund requirements, if any, and other amounts payable under the Indenture, only out of Revenues after the prior payment of all amounts then required to be paid under the Indenture from Revenues for payment of Debt Service and Reserve Requirement for the Bonds and any other amounts payable under the Indenture and related to the Bonds, as the same become due and payable and at the times and in the manner as required in the Indenture.

Application of Proceeds

Establishment and Application of Costs of Issuance Fund.

The Trustee shall establish, maintain and keep separate and apart from all other funds held by the Trustee a separate fund designated as the "Costs of Issuance Fund". Not withstanding any other provision of the Indenture, the Cost of Issuance Fund is not pledged to, nor does it does it secure, the Bonds.

The moneys in the Costs of Issuance Fund shall be used by the Trustee to pay the Costs of Issuance upon submission of Written Requisitions of the City in the form of Exhibit B to the Indenture and stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On December 1, 2010, or upon the earlier Written Request of the City, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Revenue Fund to be used for the payment of interest on the Bonds.

Construction Fund.

(a) Pursuant to the 2009A Indenture, the City has established within the City Comptroller's books the Construction Fund. Notwithstanding any other provision of the Indenture, the Construction Fund is not pledge to, nor does it secure, the Bonds.

(b) The Office of the City Treasurer shall continue to hold the moneys in the Construction Fund and shall use such moneys, as provided in the Indenture: (i) to pay the Construction Costs; or (ii) at the election of the City, as set forth in a Written Request of the City to the City Treasurer, to transfer moneys therefrom to the Trustee for deposit into the Interest Account to pay interest on the Series 2010A Bonds, when and as the same shall become due and payable.

Such payments of Construction Costs shall be made from time to time upon receipt by Office of City Treasurer of a Written Requisition of the City (in the form as set forth in Exhibit C to the Indenture, signed by the General Services Director and Comptroller or their designees) which requisition: (i) states with respect to each payment to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due; (C) the amount to be paid; and (D) that each obligation therein has been properly incurred, and is a proper charge against the Construction Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation. Each such written requisition shall be sufficient evidence to the City Comptroller of the facts stated therein and the City Comptroller shall have no duty to confirm the accuracy of such facts.

(c) If, after payment by the Office of the City Treasurer of all Written Requisitions of the City and delivery by the City to the City Treasurer of a Certificate of Completion, there shall remain any balance of money in the Construction Fund, all money so remaining shall be transferred by the City Treasurer to the Interest Account or the Redemption Fund, as directed by the City in a Written Request.

Validity of Bonds.

The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the Lease. The recital contained in the Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

Revenues; Funds and Accounts; Payment of Principal and Interest

Pledge and Assignment; Revenue Fund.

(a) Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues including any other amounts (including proceeds of the sale of the Bonds) held in the Revenue Fund are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied in such sums and for such purposes as are permitted under the Indenture including the replenishment of draws upon the Reserve Fund. This pledge shall constitute a pledge of and charge and lien upon the Revenues for the payment of Debt Service on the Bonds in accordance with the terms of the Indenture. Said pledge shall constitute a first lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act.

(b) The Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds: (i) all of the Revenues and (ii) all of the rights of the Authority in the Lease (except for certain rights to indemnification set forth in the Lease), and in the Site Lease (except for certain rights to indemnification set forth in the Indenture). The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and shall, subject to the provisions of the Indenture, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority, all of the obligations of the City under the Lease. The assignment of the Lease and the Site Lease to the Trustee is solely in its capacity as Trustee under the Indenture and the duties, powers and liabilities of the Trustee in acting under the Indenture shall be subject to the provisions of the Indenture. The Trustee shall not be responsible for any representations, warranties, covenants or obligations of the Authority.

(c) The Trustee agrees to provide written notice to the City at least five Business Days prior to each Lease Payment Date of the amount, if any, on deposit in the Revenue Fund which shall serve as a credit against, and shall relieve the City of making, the Base Rental Payments due from the City on such Lease Payment Date.

(d) Subject to the provisions of the Indenture described "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS — Investment of Funds Under the Indenture," in the front part of this Official Statement, all Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Lease to be deposited in the Redemption Fund or the Insurance and Condemnation Fund shall be promptly deposited in such Funds. Within the Revenue Fund there shall be established an Interest Account and a Principal Account. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund; Reserve Funds.

Revenue Fund. All money in the Revenue Fund shall be set aside by the Trustee in the following respective special accounts and funds within the Revenue Fund (each of which is created and each of which the Trustee covenants and agrees to cause to be maintained) in the following order of priority:

(i) Interest Account;

(ii) Principal Account; and

(iii) Reserve Fund.

If there is more than one Reserve Fund securing different Series of Bonds, then the Trustee shall establish one or more separate Reserve Funds, each of which shall secure, and may be used to pay, only those Series of Bonds which are secured thereby, as provided in the Indenture and the Supplemental Indenture authorizing such Series of Bonds. All money in each of such accounts and funds shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes under the Indenture.

Interest Account. On or before each Interest Payment Date, and on or before each redemption date, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest coming due and payable on all Outstanding Bonds on such date.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest coming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account. On or before each March 1 and September 1, commencing September 1, 2011, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the principal amount (including the payment of principal with respect to any mandatory sinking account payments) of all Outstanding Bonds maturing or subject to mandatory sinking account payments on such March 1 or September 1. On or before each redemption date, the Trustee shall transfer from the Revenue Fund and deposit in the Principal Account the principal amount of the Bonds to be redeemed, and premium, if any. No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Bonds maturing by their terms on such March 1 or September 1. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they shall become due and payable, whether at maturity or redemption, and premium, if any.

Reserve Funds. Subsequent to the transfers described in (b) and (c), any remaining funds in the Revenue Fund shall be deposited in each Reserve Fund to the extent that the amount therein is less than the Reserve Requirement for such Reserve Fund. In the event of an insufficiency of Revenues to replenish each Reserve Fund, the Trustee shall deposit any remaining Revenues pro rata among the Reserve Funds.

Notwithstanding any other provision of this subheading, if the Trustee withdraws money from the applicable Reserve Fund as a result of a default by the City in payment of Base Rental Payments when due and the City subsequently pays such delinquent Base Rental Payments, then the Trustee shall deposit such delinquent payments: First, into the applicable Reserve Fund to restore the applicable Reserve Requirement; and thereafter, into the Revenue Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS — 2010A Reserve Fund" in the front part of this Official Statement.

Redemption Fund. The Trustee shall establish and maintain the Redemption Fund, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium on the Bonds to be redeemed pursuant to the provisions of the Indenture as described under "THE SERIES 2010A BONDS — Redemptions Provisions" in the front part of this Official Statement; provided, however, that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, in accordance with the terms of the Indenture as described under "THE SERIES 2010A BONDS — Redemptions Provisions — *Purchase in Lieu of Redemption*" in the front part of this Official Statement.

Insurance and Condemnation Fund; Title Insurance

Establishment of Fund. Upon the receipt of any proceeds of insurance or eminent domain with respect to any portion of the Leased Property, the Trustee shall establish and maintain an Insurance and Condemnation Fund, to be held and applied under the Indenture as described below.

Application of Insurance Proceeds. Any Net Proceeds of insurance against accident to or destruction of the Leased Property collected by the City in the event of any such accident or destruction shall be paid to the Trustee by the City pursuant to the Lease and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund. If the City fails to determine and notify the Trustee in writing of its determination, within forty-five (45) days following the date of such deposit, to replace, repair, restore, modify or improve the Leased Property, then such Net Proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds pursuant to the provisions of the Indenture described under "THE SERIES 2010A BONDS — Redemptions Provisions — *Mandatory Sinking Fund Redemption*" in the front part of this Official Statement to the extent that such Net Proceeds permit. All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City, upon receipt of Written Requisitions of the City, as agent for the Authority, which: (i) states with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal; and (ii) specifies in reasonable detail the nature of the obligation. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Any balance of the proceeds remaining after such work has been completed as certified by the City to the Trustee shall after payment of amounts due the Trustee be paid to the City.

Application of Eminent Domain Proceeds. If all or any part of the Leased Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the provisions of the Lease as described under "THE LEASE — Damage, Destruction, Title Defect and Condemnation" herein and shall be applied and disbursed by the Trustee as follows:

(i) If the City has not given written notice to the Trustee, within forty-five (45) days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Leased Property or such portion thereof, the Trustee shall transfer such Net Proceeds to the Redemption Fund to be applied towards the redemption of the Bonds pursuant to the provisions of the Indenture described under "THE SERIES 2010A BONDS — Redemptions Provisions — *Mandatory Sinking Fund Redemption*" in the front part of this Official Statement .

(ii) If the City has given written notice to the Trustee, within forty-five (45) days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Leased Property or such portion thereof, the Trustee shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such repair or rehabilitation, upon the filing of Written Requisitions of the City as agent for the Authority in the form and containing the provisions of the Indenture described above under "Application of Insurance Proceeds". Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

Title Insurance. Proceeds of any policy of title insurance received by the Trustee in respect of the Leased Property or any portion thereof for the benefit of the Owners, shall be applied and disbursed by the Trustee as follows:

(i) If the City determines that the title defect giving rise to such proceeds has not materially affected the City's right to the use and possession of the Leased Property and will not result in an abatement of Base Rental Payments by the City under the Lease, upon Written Request of the City such proceeds shall be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. Amounts not required to be so deposited shall, if there is first delivered to the Trustee a Written Certificate of a City Representative to the effect that the annual fair rental value of the Leased Property, notwithstanding the title defect for which the payment was made, is at least equal to the maximum amount of Base Rental Payments becoming due under the Lease in the then current Lease Year or any subsequent Lease Year, be paid to the City to be used for any lawful purpose. If the City cannot deliver the certificate described in the preceding sentence, then such amounts shall be transferred to the Redemption Fund and used to redeem Bonds pursuant to the terms of the Indenture as described under "THE SERIES 2010A BONDS — Redemptions Provisions — *Purchase in Lieu of Redemption*" in the front part of this Official Statement, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

(ii) If any portion of the Leased Property has been affected by such title defect and if the City certifies in writing that such title defect will result in an abatement of Base Rental Payments by the City under the Lease, then upon Written Request of the City: either (A) such insurance proceeds shall be used by the City to remove the title defect, or (B) the Trustee shall, if not notified in writing by a City Representative within 90 days of the receipt by the Trustee of the insurance proceeds that the City will use the proceeds to remove the title defect, deposit such proceeds in the Redemption Fund and such proceeds shall be applied to redeem Bonds in the manner provided in the Indenture as described under "THE SERIES 2010A BONDS — Redemptions Provisions — *Mandatory Sinking Fund Redemption*" in the front part of this Official Statement.

(iii) Any excess proceeds with respect to title insurance remaining after application pursuant to the terms of the Indenture shall be paid to the City to be used for any lawful purpose.

Other Covenants

Punctual Payment.

The Authority shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Against Encumbrances.

The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes. Nothing in this section shall in any way limit the City's ability (i) to encumber its assets other than Leased Property or (ii) to encumber the Leased Property in accordance with the terms of the Lease.

Power to Issue Bonds and Make Pledge and Assignment.

The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of the Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records.

The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Revenues, the Lease and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority and the City, during business hours and under reasonable circumstances.

Compliance with Indenture.

The Trustee will not execute or deliver any Bonds in any manner other than in accordance with the provisions of the Indenture, and the Authority will not suffer or permit any default by it to occur under the Indenture, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Indenture required to be complied with, kept, observed and performed by it.

Tax Covenants for Series 2010A Bonds.

The Authority covenants to and for the benefit of the Owners of the Series 2010A Bonds that, notwithstanding any other provisions of the Indenture (other than as described under the subheading "Miscellaneous — Liability of Authority Limited to Revenues" herein), it will:

(a) neither make or use nor cause to be made or used any investment or other use of the proceeds of the Series 2010A Bonds or the moneys and investments held in the funds and accounts established under the Indenture which would cause the Series 2010A Bonds to be arbitrage bonds under section 103(b) and section 148 of the Code or which would otherwise cause the interest payable on the Series 2010A Bonds to be includable in gross income for federal income tax purposes;

(b) not take or cause to be taken any other action or actions, or fail to take any action or actions, which would cause the interest payable on the Series 2010A Bonds to be includable in gross income for federal income tax purposes;

(c) at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Authority on the Series 2010A Bonds will be excluded from the gross income, for federal income tax purposes, of the Owners pursuant to section 103 of the Code; and

(d) not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2010A Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

In furtherance of the provisions of the Indenture relating to tax covenants, the Authority shall execute, deliver and comply with the provisions of the Tax Agreement for Series 2010A Bonds, which is made a part of the Indenture, and by its acceptance of the Indenture the Trustee acknowledges receipt of such Tax Agreement and acknowledges its incorporation in the Indenture by this reference. The Trustee agrees it will invest funds held under the Indenture in accordance with the terms of the Indenture (this covenant shall extend throughout the term of the Series 2010A Bonds, to all funds and accounts created under the Indenture and all moneys on deposit to the credit of any fund or account).

Rebate Fund for the Series 2010A Bonds.

(a) The Trustee shall establish and maintain, when required, a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund for the Series 2010A Bonds, which is not pledged to the Bonds. Neither the Authority nor the Owner of any Bonds shall have any rights in or claim to such money. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary to comply with instructions of the City given pursuant to the terms and conditions of the Tax Agreement. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Agreement) for the Series 2010A Bonds, for payment to the federal government of the United States of America.

All amounts deposited into or on deposit in the Rebate Fund shall be governed by the provisions of the Indenture relating to tax covenants and to the Rebate Fund for the Series 2010A Bonds and by the Tax Agreement (which is incorporated in the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the Written Request of the City including supplying all necessary information in the manner provided in the Tax Agreement, and shall have no liability or responsibility to enforce compliance by the Authority or City with the terms of the Tax Agreement or any other tax covenants contained in the Indenture. The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Trustee shall have no independent duty to review such calculations or enforce the compliance by the City with such rebate requirements. The Trustee shall have no duty or obligation to determine the applicability of the Code and shall only be obligated to act in accordance with Written Request provided by the City.

(b) Upon the City's Written Request, an amount shall be deposited to the Rebate Fund by the Trustee from deposits by the City, if and to the extent required, so that the balance in the Rebate Fund shall equal the Rebate Requirement for the Series 2010A Bonds. Computations of the Rebate Requirement shall be furnished by or on behalf of the City in accordance with the Tax Agreement. The Trustee shall supply to the City all necessary information in the manner provided in the Tax Agreement, to the extent such information is reasonably available to the Trustee.

(c) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this section, other than from moneys held in the funds and accounts created under the Indenture or from other moneys provided to it by the City.

(d) At the Written Request of the City, the Trustee shall invest all amounts held in the Rebate Fund in Permitted Investments. Moneys shall not be transferred from the Rebate Fund except as provided in paragraph (e) below. The Trustee shall not be liable for any consequences arising from such investment.

(e) Upon receipt of the City's Written Request, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the City so directs, the Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by the City's Written Request; provided, however, only moneys in excess of the Rebate Requirement may, at the written direction of the City, be transferred out of the Rebate Fund to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Rebate Fund after each five year remission to the United States, redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and remitted to the City.

(f) Notwithstanding any other provision of the Indenture, including in particular the provisions relating to the defeasance of Bonds, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of the provisions of the Indenture relating to tax covenants and to the Rebate Fund for the Series 2010A Bonds and the Tax Agreement shall survive the defeasance or payment in full of the Series 2010A Bonds.

<u>Collection of Amounts Due Under Lease; Amendments</u>.

The Trustee shall promptly collect all amounts due from the City pursuant to the Lease. Subject to the provisions of the Indenture, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights under the Indenture as assignee of the Authority, for the enforcement of all of the obligations of the City under the Lease.

The Authority shall not amend, modify or terminate any of the terms of the Lease or the Site Lease, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent only if it determines the requirements of the Lease relating the amendment thereof have been complied with.

<u>Waiver of Laws</u>.

The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the Authority to the extent permitted by law.

<u>Further Assurances</u>.

The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Events of Default and Remedies

Events of Default; Notice.

The following events shall be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal, redemption premium, if any or sinking fund installments of any Bonds when and as the same shall become due and payable, whether at maturity as expressed in the Indenture, by proceedings for redemption (other than with respect to conditional redemption as permitted by the Indenture) or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee; provided, however, that if in the reasonable opinion of the Authority the default stated in the notice can be corrected, but not within such sixty (60) day period, such default shall not constitute an Event of Default under the Indenture if the Authority shall commence to cure such default within such sixty (60) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The occurrence and continuation of an event of default under and as defined in the Lease.

If an Event of Default occurs under the Indenture, the Trustee shall give notice, at the expense of the City, of such Event of Default to the Owners. Such notice shall state that an Event of Default has occurred and shall provide a brief description of such Event of Default. The Trustee in its discretion may withhold notice if it deems it in the best interests of the Owners. Such notice provided shall be given by first-class mail, postage prepaid, to the Owners within 30 days of the Trustee's receipt of knowledge of the occurrence of such Event of Default.

Remedies Upon Event of Default.

(a) Upon the occurrence and continuance of any Event of Default, then and in every such case the Trustee in its discretion may, and upon the written request of the Owners of not less than 50% in principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, and payment of its fees and expenses, including the fees and expenses of its counsel, shall in its own name and as the Trustee of an express trust:

(1) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners under the Indenture, and require the Authority or the City to carry out any agreements with or for the benefit of the Owners of Bonds and to perform its or their duties under the Lease and the Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Lease or the Indenture, as the case may be;

(2) bring suit upon the Bonds;

(3) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Owners of Bonds; or

(4) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of Bonds under the Indenture.

(b) Upon the occurrence of an Event of Default, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers for the Revenues, ex parte, and without notice, and the Authority consents to the appointment of such receiver upon the occurrence of an Event of Default. In the case of any receivership, insolvency, bankruptcy, or other judicial proceedings affecting the Authority or the City, the Trustee shall be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have the claims of the Trustee and the Bond Owners allowed in such proceedings, without prejudice, however, to the right of any Bond Owner to file a claim on his or her own behalf; provided, the Trustee shall be entitled to compensation and reimbursement for the reasonable fees and expenses of its counsel and indemnity for its reasonable expenses and liability from the Authority, the City or the Bond Owners, as appropriate.

(c) Notwithstanding the foregoing, neither the Indenture nor the Bonds provide for the remedy of acceleration of principal or interest due with respect to the Bonds prior to their stated due dates.

<u>Application of Revenues and Other Funds After Default</u>.

If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Trustee to Represent Bond Owners.

The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, the Trustee shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds, the Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings . All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Owners' Direction of Proceedings.

Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would expose it to liability.

Limitation on Bond Owners' Right to Sue.

Notwithstanding any other provision of the Indenture, no Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Lease or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Lease or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of Authority.

Nothing in the Indenture as described under the subheading "Events Of Default And Remedies — Limitation on Bond Owners' Right to Sue" or in any other provision of the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues and other assets in the Indenture pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings.

If any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bond Owners, then the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive.

No remedy conferred upon or reserved to the Trustee or the Owners of the Bonds in the Indenture is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default.

No delay or omission of the Trustee or any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Parties Interested In the Indenture.

Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Authority, the Trustee, their officers, employees and agents, and the Owners any right, remedy or claim under or by reason of the Indenture, or any covenant, condition or stipulation of the Indenture, and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the City, the Authority, the Trustee, their officers, employees and agents, and the Owners.

Remedies Subject to Provisions of Law.

All rights, remedies and powers provided by the Indenture may be exercised only to the extent that the exercise thereof does not violate any applicable provision of the City Charter and other applicable law, and all of the provisions of the Indenture are intended to be subject to the City Charter and all other applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions of the Indenture invalid or unenforceable under the provisions of the City Charter or other applicable law.

Modification or Amendment of the Indenture

Amendments Permitted.

(a) The Indenture and any of the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding which are affected by the amendment, shall have been filed with the Trustee; provided, however, no such modification or amendment without the consent of the Owners of all of the Bonds then Outstanding which would be affected thereby, shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or (iv) deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Consent of the Owners may be obtained as provided in the Indenture.

(b) In addition to any Supplemental Indenture authorized pursuant to the Indenture, the Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority in the Indenture, or to close the Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on, the authentication and delivery of Additional Bonds;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or

(iv) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Code.

(v) to permit the Trustee to comply with any duties imposed upon it by law;

(vi) to provide for the refunding or advance refunding of any Bonds, so long as such amendment is not inconsistent with the provisions of the Indenture relating to the defeasance of Bonds;

(vii) to evidence the appointment of a separate trustee or the succession of a new trustee under the Indenture;

(viii) to make any amendments appropriate or necessary to provide for or facilitate the delivery of credit enhancement for any Bonds; or

(ix) for any other reason, provided such modification or amendment does not, in the judgment of the Trustee, materially adversely affect the interests of the Owners of the Bonds then Outstanding.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by paragraphs (a) or (b) under this subheading which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture under the Indenture, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) Provision of the Indenture described under this subheading are subject to the provisions of the Indenture described under the subheading "Modification or Amendment of the Indenture — City's Consent to Supplemental Indentures" herein.

<u>Consent of Owners</u>.

(a) If at any time the Authority (or the City on behalf of the Authority) shall request the Trustee to enter into any Supplemental Indenture requiring consent of the Owners, the Trustee, upon being satisfactorily indemnified with respect to expenses, shall cause notice (unless waived by the affected Owners in their consent) of the proposed Supplemental Agreement to be mailed to each affected Owners, as shown in the Registration Books at the close of business on the 15th day preceding that mailing and at its address as it appears on the Registration Books on that 15th day preceding the mailing. The notice shall describe briefly the nature of the proposed amendment and shall state that copies thereof are on file at the office of the Trustee designated therein for inspection by all such Owners.

Consent of Owners may also be evidenced: (i) by Bonds being sold to such Owners under an official statement or other offering document which describes the proposed amendment and states that their purchase shall be treated as their consent to such amendment; or (ii) in any other manner acceptable to the Trustee.

If the Supplemental Indenture will not take effect so long as any particular Bonds remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of determining the required consents.

(b) Disqualified Bonds. Bonds owned or held by or for the account of the Authority or the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this in the Indenture as described under this subheading "Modification or Amendment of the Indenture", and shall not be entitled to consent to or take any other action provided in the Indenture as described under this subheading "Modification or Amendment of the Indenture"; provided, however, that the Trustee shall not be deemed to have knowledge that any Bond is owned or held by or for the account of the Authority or the City unless the Authority or the City is the registered Owner or the Trustee has received written notice that any other registered Owner is holding for the account of the Authority or City.

(c) The Trustee shall not be subject to any liability to any Owner of Bonds by reason of the Trustee's failure to mail, or the failure of any such Owner to receive, the notice required by the Indenture as described under this subheading. Any failure of that nature shall not affect the validity of the Supplemental Indenture when there has been consent thereto as provided in the Indenture as described under this subheading.

(d) If the Trustee shall receive, within a period not exceeding one year as prescribed by the City upon behalf of the Authority, following the mailing of the notice (unless waived by the affected Owners in their consent), an instrument or document or instruments or documents, in a form or forms to which the Trustee does not object reasonably, purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Bonds, but not otherwise, the Trustee shall execute and deliver the Supplemental Indenture in substantially the form to which reference is made in the notice, without liability or responsibility to any affected Owner, regardless of whether that Owner shall have consented thereto. The instrument or document or instruments or documents described in this paragraph shall refer to the proposed Supplemental Indenture in the form described in the notice and shall consent specifically to the Supplemental Indenture in substantially that form.

(e) At any time after the Owners of the required percentage of the Bonds shall have filed their consents with the Trustee to the Supplemental Indenture, the Trustee shall make and file with the Authority and City a written statement that the Owners of the required percentage of the Bonds have filed those consents. That written statement shall be conclusive evidence that the consents have been so filed. Prior to the Trustee filing such written statement, a consent may be revoked in writing by the Owner who gave the consent or by a subsequent Owner of the Bonds by a written revocation received by the Trustee.

City's Consent to Supplemental Indentures.

Anything in the Indenture to the contrary notwithstanding, so long as the City is not in default under the Lease, a Supplemental Indenture under the Indenture shall not become effective unless and until the City shall have consented in writing to the execution and delivery of such Supplemental Indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any Supplemental Indenture, together with a copy of the proposed Supplemental Indenture, to be mailed by first-class mail to the City at least 30 days prior to the proposed date of execution and delivery of any Supplemental Indenture.

Effect of Supplemental Indenture.

Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds.

Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same series and maturity.

Amendment of Particular Bonds.

The provisions of the Indenture as described under this subheading "Modification or Amendment of the Indenture" shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by him.

Defeasance

Discharge of Indenture.

(a) Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

(i) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(ii) by depositing with the Trustee, in trust, at or before maturity, Defeasance Obligations in the necessary amount and in accordance with the terms of the Indenture to pay or redeem such Bonds; or

(iii) by delivering to the Trustee, for cancellation by it, such Bonds.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority, then and in that case, at the election of the Authority evidenced by a

Written Certificate of the Authority (or of the City upon behalf of the Authority), filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under the Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied (except for those provisions surviving by reason of those provisions of the Indenture described under pargraph (c) below in the event that the Bonds are deemed to be paid and discharged pursuant to the provisions of the Indenture described under the subheading "Deposit of Money or Securities with Trustee to Defease Bonds" below). In such event, upon the Written Request of the Authority (or of the City upon behalf of the Authority), the Trustee shall execute and deliver to the Authority and City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the City all moneys or securities or other Leased Property held by it pursuant to the Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption.

If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of the Outstanding Bonds of a particular Series, or of a particular maturity or particular Bonds within a Series, the Debt Service due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds shall cease to be entitled to any lien, pledge, benefit or security under the Indenture, and all covenants, agreements and obligations of the Authority to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied (subject to provisions of the Indenture described in paragraph (c) below).

Bonds or interest installments, for the payment or redemption of which moneys shall have been set aside and held in trust by the Trustee (through deposit by the City of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof, shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) under this subheading.

(b) If, in connection with a redemption of all or any part of the Bonds, or in connection with providing for payment of all or any part of the Bonds pursuant to the Indenture as described herein under the subheading "Defeasance", moneys and/or Defeasance Obligations are deposited with the Trustee sufficient to pay Debt Service on all or a portion of the Bonds being defeased in accordance with the provisions of the Indenture described under the subheading "Deposit of Money or Securities with Trustee to Defease Bonds" below to any date after the first date on which such Bonds may be redeemed, the City on behalf of the Authority may expressly reserve and retain the right to subsequently change the date on which any such Bonds are to be redeemed. The City may further reserve and retain the right to restructure the moneys and/or Defeasance Obligations held by the Trustee for payment such Bonds as provided in the Indenture as described in paragraphs (c), (d) or (e) under the subheading "Deposit of Money or Securities with Trustee to Defease Bonds" below, and to apply any of the proceeds, which are available following such restructuring and are not needed to pay Debt Service on the Bonds being defeased, for any lawful purpose.

(c) If the City desires to reserve and retain any such rights, it shall so advise the Trustee at the time of the deposits of such funds with the Trustee and the Trustee shall include a statement of such reserved and retained rights in the notice given to Owners pursuant to the Indenture. Notwithstanding the foregoing, any provisions of the Indenture which relate to:

(i) the maturity of Bonds;

(ii) the interest payments and dates thereof;

(iii) the optional and mandatory redemption provisions;

(iv) the credits against the mandatory sinking fund requirements;

(v) the exchange, transfer and registration of Bonds;

(vi) the replacement of mutilated, destroyed, lost or stolen Bonds;

(vii) the safekeeping and cancellation of Bonds;

(viii) the nonpresentment of Bonds;

(ix) the holding of moneys in trust;

(x) the repayments to the Authority from the escrow fund;

(xi) the timely payment of any rebate of arbitrage earnings to the United States and any other provisions which relate to exclusion of interest on the Bonds from gross income for federal income tax purposes; and

(xii) the duties of the Trustee in connection with all of the foregoing and payment of its fees and expenses;

shall remain in effect and shall be binding upon the Authority, the Trustee and the Owners, notwithstanding the release, discharge and satisfaction of the Indenture. The provisions of the Indenture described under this paragraph (c) shall survive the release, discharge and satisfaction of the Indenture.

<u>Deposit of Money or Securities with Trustee to Defease Bonds</u>.

(a) Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and available for such purposes.

(b) Subject to the provisions of paragraphs (c) and (d) of subheading, any Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid, within the meaning and with the effect expressed in paragraph (a) under the subheading "Discharge of the Indenture" above, if:

(i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City upon behalf of the Authority shall have given to the Trustee written instructions, accepted in writing by the Trustee, to mail as provided in the Indenture notice of redemption of such Bonds (other than Bonds which have been purchased or otherwise acquired by the City and delivered to the Trustee as provided in the Indenture prior to the mailing of such notice of redemption);

(ii) there shall have been deposited with the Trustee (or another trust company selected by the City which meets the requirements of the Indenture), in trust for the Owners of such Bonds, either moneys in an amount which shall be sufficient, or Defeasance Obligations (including any Defeasance Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient (without regard to further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, which earnings are to be held likewise in trust and so committed, except as provided in the Indenture) to pay when due the Debt Service due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be;

(iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the City upon behalf of the Authority shall have given written instructions to the Trustee in form satisfactory to it to mail a notice to the Owners of such Bonds, within 15 days of the date on which the Bonds are deemed to be paid and discharged, at their address as it appears on the Registration Books on that date on which such Bonds are deemed to be paid and discharged. The notice shall: (1) state the numbers of the Bonds deemed to be paid and discharged, or shall state that all Bonds of a particular Series are deemed to be paid and discharged; (2) that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the terms of the Indenture described under this subheading; and (3) state such maturity or redemption date upon which moneys are expected to be available for the payment of the Debt Service on said Bonds (other than Bonds which have been purchased or otherwise acquired by the City and delivered to the Trustee as provided in the Indenture provided prior to the mailing of the notice of redemption referred to in clause (i) under this subheading);

(iv) the Trustee shall have received a report of an independent firm of certified public accountants or a financial consulting firm of recognized standing in the field of municipal bonds to the effect that the amount of principal of and interest when due on the Defeasance Obligations and any money deposited at the same time with the Trustee shall be sufficient to pay when due the Debt Service due and to become due on said Bonds prior to and on the redemption or maturity date thereof, as the case may be; and

(v) if the Bonds deemed paid with Defeasance Obligations were issued as obligations the interest on which was excluded from gross income for federal tax purposes, then the City shall furnish to the Trustee an opinion of Bond Counsel to the effect that the provisions for paying such Bonds (assuming compliance by the Authority, the City and the Trustee with their duties under the Indenture and any related escrow agreement) will not, by itself, cause such Bonds to lose such exclusion.

Any notice of redemption mailed pursuant to (i) with respect to Bonds which constitute less than all of the Outstanding Bonds of any maturity within a Series shall specify the letter and number or other distinguishing mark of each such Bond.

Defeasance Obligations shall consist of securities which are not subject to redemption prior to their maturity other than at the option of the holder thereof, or shall consist of securities as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date.

(c) The Trustee shall, if so directed by the City, (i) prior to the maturity date of Bonds that have been deemed to have been paid in accordance with the provisions of the Indenture described under this subheading (the "Defeased Bonds") which are not to be redeemed prior to their maturity date or (ii) prior to mailing of the notice of redemption referred to in clause (i) above with respect to any Defeased Bonds which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee for such Defeased Bonds and redeem or sell Defeasance Obligations so deposited with the Trustee and apply the proceeds thereof to the purchase of such Defeased Bonds and the Trustee shall immediately thereafter cancel all such Defeased Bonds so purchased; provided, however, that the moneys and Defeasance Obligations remaining on deposit with the Trustee after such purchase and cancellation of such Defeasance Bonds must be determined by the Trustee to be sufficient to pay when due the Debt Service due or to become due on all remaining unpaid Defeased Bonds, in respect of which such moneys and Defeasance Obligations are being held by the Trustee, on or prior to the redemption date or maturity date thereof, as the case may be.

(d) If, at any time (i) prior to the maturity date of Defeased Bonds which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (i) with respect to any Defeased Bonds which are to be redeemed on any date prior to their maturity, the City shall purchase or otherwise acquire any such Defeased Bonds and deliver such Defeased Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee shall immediately cancel all such Defeased Bonds so delivered; and such delivery of Defeased Bonds to the Trustee shall be accompanied by Written Direction from the City to the Trustee as to the manner in which such Defeased Bonds are to be applied against the obligation of the Trustee to pay or redeem Defeased Bonds. Such directions of the City shall also specify the portion, if any, of such Defeased Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to pay Defeased Bonds upon their maturity date or dates and the portion, if any, of such Defeased Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to redeem Defeased Bonds on any date or dates prior to their maturity.

(e) If on any date: (i) as a result of any purchases, acquisitions and cancellations of Defeased Bonds as provided in the Indenture as described under this subheading the total amount of moneys and Defeasance Obligations remaining on deposit with the Trustee under the Indenture as described under this subheading is in excess of the total, determined by the Trustee, which would have been required to be deposited with the Trustee on such date in respect of the remaining unpaid Defeased Bonds in order to satisfy paragraph (b)(ii) under this subheading, the Trustee shall, if requested by the City in Written Certificate, sell specified Defeasance Obligations and transfer the amount of such excess as directed by the City; or (ii) the City directs the Trustee in Written Certificate to sell and re-invest specified Defeasance Obligations as directed by the City;

then before any such excess is so transferred or any such Defeasance Obligations sold and re-invested, as applicable, the Trustee shall have received a report, of an independent firm of certified public accountants or a financial consulting firm of recognized standing in the field of municipal bonds, to the effect that the amount of money and the principal of and interest when due on the Defeasance Obligations remaining on deposit with the Trustee after such transfer or sale or re-investment, as applicable, shall be sufficient to pay when due the Debt Service due and to become due on said unpaid Defeased Bonds on or prior to the redemption or maturity date thereof, as the case may be.

(f) Except as otherwise provided under this subheading, neither Defeasance Obligations nor moneys deposited with the Trustee pursuant to this subheading nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust by the Trustee solely for, the payment of the Debt Service on the Defeased Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee (i) to the extent such cash will not be required at any time for such purpose as determined by the Trustee, shall be transferred as directed by the City, and (ii) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable and as directed by the City, be reinvested by the Trustee in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the Debt Service due on said remaining unpaid Defeased Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be transferred as directed by the City.

Miscellaneous

Liability of Authority Limited to Revenues.

Notwithstanding anything in the Indenture or in the Bonds contained, the Authority shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes of the Indenture any funds of the Authority which may be made available to it for such purposes.

Limitation of Rights to Parties and Bond Owners.

Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or in the Indenture contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Trustee, the City, the Authority and the Owners of the Bonds.

Unclaimed Funds.

Notwithstanding any provisions of the Indenture, and subject to applicable provisions of State law, any moneys held by the Trustee in trust for the payment of the principal of, premium, if any, or interest on, any Bonds and remaining unclaimed for two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the City free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the City as aforesaid, the Trustee shall (at the written request and cost of the City) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof. Thereafter, the Owner of such Bond shall look only to the City for payment and then only to the extent of the amount so returned to the City without any interest thereon, and the Trustee shall have no responsibility with respect to such money. During any period in which the Trustee holds such unclaimed money, the Trustee shall not be required to invest such money; nonetheless if the Trustee should invest such money any earnings on such amounts shall be remitted to the City as such earnings are realized.

Waiver of Notice; Requirement of Mailed Notice.

Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Severability of Invalid Provisions.

If any one or more of the provisions contained in the Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained in the Indenture. The Authority declares that it would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase of the Indenture and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Evidence of Acts of Owners.

(a) Any request, direction, consent or other instrument provided to be signed and executed by the Owners may be in any number of concurrent writings of similar tenor and may be signed or executed by such Owners in person or by agent appointed in writing. Proof of the execution of any such request, direction or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Indenture and shall be conclusive in favor of the Trustee, Authority and City, with regard to any action taken by them, or either of them, under such request or other instrument, namely:

(1) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(2) The ownership of Bonds shall be proved by the Registration Books.

Nothing under this subheading shall be construed as limiting the Trustee to the proof specified in the Indenture, it being intended that the Trustee may accept any other evidence of the matters stated in the Indenture which it may deem sufficient including, without limitation, an affidavit evidencing beneficial ownership of Bonds while the Bonds are held in book-entry only system.

(b) Any action taken or suffered by the Trustee pursuant to any provision of the Indenture, upon the request or with the assent of any person who at the time is the Owner of any Bond or Bonds, shall be conclusive and binding upon all future Owners of the same Bond or Bonds.

(c) Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Holidays.

If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, shall be a legal holiday or a day on which the Authority, the City, the Trustee or banking institutions in the State are authorized by law or otherwise to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which the Authority, the City, the Trustee or such banking institutions are authorized by law or otherwise to remain closed, with the same force and effect as if done on the nominal date provided in the Indenture, and no interest shall accrue for the period after such nominal date.

Waiver of Personal Liability.

No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or interest or premium (if any) on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing in the Indenture contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Indenture.

Governing Law.

The Indenture shall be governed by and construed in accordance with the laws of the State.

THE LEASE

Certain provisions of the Lease are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Lease.

The Leased Property

Lease of the Leased Property; Title to Leased Property

The Authority subleases to the City, and the City subleases back from the Authority, the Leased Property, all on the conditions and terms set forth in the Lease. The City agrees and covenants that during the term of the Lease, except as provided in the Lease, it will use the Leased Property for public purposes so as to afford the public the benefits contemplated thereby and so as to permit the Authority to carry out its agreements and covenants contained the Lease and in the Indenture, and the City thereby further agrees and covenants that during the term of the Lease that it will not abandon or vacate the Leased Property.

During the term of the Lease, title to all moveable property (i) that is located on, in or about the Leased Property on the Closing Date, or (ii) that is placed on, in or about Leased Property by the City at any time thereafter during the term of the Lease, shall remain the property of the City (or property of the City's tenant, as provided in the lease between the City and such tenant). During the term of the Lease, the Authority shall hold leasehold title to the Leased Property and any and all additions which comprise fixtures, repairs, replacements or modifications thereof, except for any items added to the Leased Property by the City pursuant to the terms of the Lease.

If both the Trustee's and the City's estate under the Lease or any other lease relating to the Leased Property or any portion thereof shall at any time for any reason become vested in one owner, the Lease and the estate created thereby shall not be destroyed or terminated by the doctrine of merger unless the City and the Trustee so elect as evidenced by recording a written declaration so stating; and unless and until the City and the Trustee so elect, the Authority shall continue to have and hold a leasehold estate in the Leased Property pursuant to the Site Lease throughout the term thereof and the term of the Lease, and the Lease shall be deemed and constitute a sublease of the Leased Property. The City covenants not to permit or consent to any such merger as long as any Bonds are Outstanding.

Quiet Enjoyment.

The parties to the Lease mutually covenant that the City, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained in the Lease and is not in default under the Lease, shall at all times during the term of the Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Right of Entry and Inspection.

The Authority shall have the right to enter the Leased Property and inspect the Leased Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under the Lease and for all other lawful purposes.

Additions and Improvements to Leased Property; Mechanics Liens.

The City shall have the right during the term of the Lease to make any additions or improvements to the Leased Property, to attach fixtures, structures or signs, and to affix any personal property to the Leased Property, so long as the fair rental value of the Leased Property is not thereby reduced. Title to all fixtures, equipment or personal property, which is placed by the City in or on the Leased Property, shall remain in the City to the extent that such items may be removed from the Leased Property without damage thereto. Title to any personal property, improvements or fixtures placed in or on any portion of the Leased Property by any sublessee or licensee of the City shall be controlled by the sublease or license agreement between such sublessee or licensee and the City, which sublease or license agreement shall not be inconsistent with the Lease.

In the event the City shall at any time during the term of the Lease cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the City shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon, about or relating to the Leased Property and shall keep the Leased Property free of any and all liens against the Leased Property or the Authority's interest therein, except for Permitted Encumbrances. In the event any such lien attaches to or is filed against the Leased Property or the Authority's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the City shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City shall forthwith pay and discharge or cause to be paid and discharged such judgment.

Substitution, Removal or Addition of Leased Property.

(a) The City and the Authority may amend the Lease and Site Lease to: (i) substitute real property and/or improvements (the "Substituted Property") for all or a portion of the existing Leased Property; (ii) remove all or a portion of real property (including undivided interests therein) or improvements ("Removal") from the definition of Leased Property; or (iii) to add real property and/or improvements (the "Added Property") to the Leased Property, upon compliance with all of the applicable conditions set forth in paragraph (b). After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected shall be released from the leasehold under the Lease and under the Site Lease.

(b) No Substitution, Addition or Removal shall take place under the Lease and under the Site Lease until the City delivers to the Authority and the Trustee each of the following:

(i) executed counterparts (in proper recordable form) of amendments to the Site Lease and the Lease, containing: (A) in the event of a Removal, a legal description of all or part of the Leased Property to be released; (B) in the event of a Substitution, a legal description of the Substituted Property to be substituted in its place; and (C) in the case of an Addition, a legal description of the Added Property.

(ii) a certificate of the City, evidencing that the annual fair rental value (which may be based on, but not limited to, the construction or acquisition cost or replacement cost of such Substitution or Addition to the City) of the property that will constitute the Leased Property after such Addition, Substitution or Removal, will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current Lease Year or in any subsequent Lease Year during term of the Lease. At the sole discretion of the City, in the alternative, in the event of a Substitution only, the certificate of the City may evidence that the annual fair rental value of the new property is at least equal to that of the Substituted Property.

(iii) an Opinion of Counsel to the effect that: (A) the amendments to the Lease and to the Site Lease in connection with such Substitution, Addition or Removal of property have been duly authorized, executed and delivered and constitute the valid and binding obligations of the City and the Authority enforceable in accordance with their terms; and (B) the Substitution, Addition or Removal is authorized or permitted under the Lease.

(iv) with respect to an Addition or Substitution of property, a leasehold owner's title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies, resulting in title insurance with respect to the Leased Property after such Addition or Substitution in an amount at least equal to the aggregate principal amount of Bonds Outstanding; each such insurance instrument, when issued, shall name the Authority and Trustee as the insured, and shall insure the leasehold estate of the Authority and the Trustee, as assignee of the Authority, in such real property subject only to Permitted Encumbrances.

(v) in the event of a Substitution or Addition, an opinion of the City Attorney of the City to the effect that the exceptions, if any, contained in the title insurance policy referred to in (iv) above (A) constitute Permitted Encumbrances and (B) do not substantially interfere with the use and occupancy of the Substituted Property or Added Property described in such policy by the City for the purposes of leasing or using the Substituted Property or Added Property.

(vi) an Opinion of Bond Counsel that the Substitution, Addition and/or Removal will not, in and of itself, cause the interest on any Bonds to be includable in gross income of the Owners thereof for federal income tax purposes.

(vii) a Certificate of the City stating that the City has complied with the requirements of the Lease pertaining to fire and extended coverage insurance and use and occupancy insurance with respect to the Substituted or Added Property.

(viii) in the event the Added Property is under construction at the time such property is added to the Lease, the following additional conditions shall be satisfied: (A) interest on the Additional Bonds issued to finance such property may be capitalized for a period of at least six months past the estimated completion date of the property; and (B) the City shall have entered into a construction contract for the Added Property

(ix) in the event of a Substitution or Addition, a certified copy of a resolution duly adopted by the City Council of the City authorizing the amendments to the Lease and to the Site Lease in connection with such Substitution or Addition.

Term Of The Lease

Commencement of the Lease; Term of Lease.

The term of the Lease shall commence on the Closing Date, and shall end on the Expiry Date, unless the Expiry Date is extended or is sooner terminated as provided under the Lease. If on the Expiry Date, the stated rental payable under the Lease shall not be fully paid and all Bonds shall not be fully paid and defeased as provided under the Indenture, or if the rental payable under the Lease shall have been abated at any time or for any reason, then the term of the Lease shall be extended until the first Business Day following the day the rental payable under the Lease shall be fully paid and all Bonds shall be fully paid and defeased as provided under the Indenture; provided, however, that the term of the Lease shall be extended until all Bonds have been fully paid and defeased as provided under the Indenture, except the term of the Lease shall in no event be extended beyond 10 years after the then existing Expiry Date.

If prior to the Expiry Date, the rental payable under the Lease shall be fully paid and all Bonds shall have been fully paid or defeased in accordance with the Indenture, the term of the Lease shall end immediately upon the City providing written notice from the Trustee to the Authority to the effect that all Bonds have been fully paid or defeased in accordance with the Indenture.

The City shall take possession of the Leased Property on the Closing Date, and the obligation of the City to pay Base Rental Payments and Additional Rental shall commence on the Closing Date, subject to the limitations of the Lease.

Tax Covenants

Tax Covenants for Series 2010A Bonds.

(c) The City covenants that it will use, and will restrict the use and investment of, the proceeds of the Series 2010A Bonds in such manner and to such extent as may be necessary so that: (1) the Series 2010A Bonds will not (A) constitute private activity bonds arbitrage bonds or hedge bonds under Section 141, 148 or 149 of the Code, or (B) be treated other than as obligations to which Section 103 of the Code applies, and (ii) the interest thereon will not be treated as a preference item for purposes of the federal alternative minimum tax.

(d) The City further covenants (i) that it will take or cause to be taken such actions that may be required of it for the interest on the Series 2010A Bonds to be and remain excluded from gross income for federal income tax purposes, (ii) that will not take or authorize to be taken any actions that would adversely affect that exclusion, and (iii) that it, or persons acting for it, will, among other acts of compliance, (A) apply the proceeds of the Series 2010A Bonds to governmental purposes, (B) restrict the yield on investment property, (C) make timely and adequate payments to the federal government as required under the Tax Agreement, (D) maintain books and records and make calculations and reports, and (E) refrain from certain uses of those proceeds and, as applicable, of property financed with such proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code.

(e) The Authorized Representative of the City is authorized under the Lease: (i) to make or effect any election, selection, designation, choice, consent, approval, or waiver on behalf of the City with respect to the Series 2010A Bonds as the City is permitted or required to make or give under the federal income tax laws, including, without limitation thereto, any of the elections provided for in Section 148(f)(4)(B) and (C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the Series 2010A Bonds or interest thereon or assisting compliance with requirements for the purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties or making payments of special amounts in lieu of making computations to determined by that officer, which action shall be in writing and signed by the Authorized Representative, (ii) to take any and all other actions, make or obtain calculations, make payments and make or give reports, covenants and certifications of and on behalf of the City, as may be appropriate to assure the exclusion of interest from gross income and the intended tax status of the Series 2010A Bonds, and (iii) to set forth in the Tax Agreement and/or in one or more appropriate certificates of the City, for inclusion in the transcript of proceedings for the Series 2010A Bonds, the reasonable expectations of the City regarding the amount and use of all the proceeds of the Series 2010A Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the interest represented by the Series 2010A Bonds.

(f) The City may create, or may direct the Trustee to create, such accounts or sub-accounts in any fund or account held under the Indenture as it shall deem necessary or advisable in order to comply with the foregoing covenants and Tax Agreement.

Rental Payments

Rental Payments.

The City agrees, subject to the terms of the Lease, to pay to the Trustee, as assignee of the Authority pursuant to the Indenture, without deduction or offset of any kind, as rental for the use and occupancy of the Leased Property, the following amounts at the following times:

Base Rental Payments.

The City shall pay, from any and all legally available funds, to the Trustee, as assignee of the Authority, the Base Rental Payments with respect to the Leased Property at the times and in the amounts set forth in the Base Rental Payment Schedule attached to the Lease as Exhibit B and incorporated therein. The obligation of the City to pay Base Rental Payments (and Additional Rental) shall commence on the Closing Date. Notwithstanding the foregoing, the City shall deposit with the Trustee not later than (i) the Lease Payment Date six months preceding each Interest Payment Date and (ii) if principal is payable on other than an Interest Payment Date, the third Business Day preceding each date on which principal is due, the Base Rental Payment due on such date, as the case may be, and the same shall be held by the Trustee as security for the Base Rental Payments due on such dates.

If the term of the Lease shall have been extended pursuant to the terms thereof, Base Rental Payment installments shall continue to be due on the third Business Day preceding any date payment of principal of or interest on any Bonds is due, continuing to and including the date of termination of the Lease.

Additional Rental.

The City shall also pay, as rental under the Lease in addition to the Base Rental Payments, to the Authority or the Trustee, as hereinafter provided, such amounts, if any, in each year as shall be required for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Site Lease or the Lease or the assignment of the Lease pursuant to the Indenture or the respective interests in the Leased Property and the lease of the Leased Property by the Authority to the City under the Lease, including but not limited to all fees, costs and expenses and all administrative costs of the Authority relating to the Leased Property including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee (to the extent not paid or otherwise provided for out of the proceeds of the sale of the Bonds), fees of auditors, accountants, attorneys or engineers, insurance premiums, rebate amounts payable to the United States pursuant to the Tax Agreement, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or the Indenture, or otherwise incurred in connection with the administration of the Lease or of the Indenture.

(i) The foregoing Additional Rental, if any, shall be billed to the City by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority, the Trustee or the Trustee on behalf of the Authority, for one or more of the items above described, or that such amount is then so payable for such items. Amounts so billed shall be paid by the City not later than the latest time as such amounts may be paid without penalty or, if no penalty is associated with a late payment of such amounts, within 30 days after receipt of a bill by the City for such amounts.

(ii) The Authority may issue bonds and may enter into leases to finance facilities other than the Leased Property. The administrative costs of the Authority shall be allocated among said facilities and the Leased Property, as hereinafter in this paragraph provided. Any taxes levied against the Authority with respect to the Leased Property, the fees of the Trustee, and any other expenses directly attributable to the Leased Property shall be included in the Additional Rental payable under the Lease. Any taxes levied against the Authority with respect to real property other than the Leased Property, the fees of any trustee or paying agent under any resolution securing other bonds of the Authority or any trust agreement or indenture other than the Indenture, and any other expenses directly attributable to any facilities other than the Leased Property, shall not be included in the administrative costs of the Leased Property and shall not be paid from the Additional Rental payable under the Lease. Any expenses of the Authority not directly attributable to any particular project of the Authority shall be equitably allocated among all such projects, including the Leased Property, in accordance with sound accounting practice. In the event of any question or dispute as to such allocation, the written opinion of an independent firm of certified public accountants, employed by the Authority to consider the question and render an opinion thereon, shall be final and conclusive determination as to such allocation. The Trustee may conclusively rely upon a certificate of the Authority in making any determination that costs are payable as Additional Rental under the Lease, and shall not be required to make any investigation as to whether or not the items so requested to be paid are expenses of operation of the Leased Property.

<u>Consideration for Leasehold Estate and Fair Rental Value</u>.

Payments of Base Rental Payments and Additional Rental for each Lease Year or portion thereof during the term of the Lease shall constitute the total rental for such Lease Year or portion thereof and shall be paid or payable by the City from funds of the City lawfully available therefor for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Leased Property by the City for and during such Lease Year.

The City has determined and certified to the Trustee and the Authority on the Closing Date that such total rental in any Lease Year is not in excess of the total fair rental value of the Leased Property for such Lease Year. In making such determination, the City has considered a variety of factors including: (i) the uses and purposes served by the Leased Property and the benefits therefrom that will accrue to the City by reason of the Lease and to the general public by reason of the City's use and occupancy of the Leased Property, including the general public's use of portions of the Leased Property; (ii) the replacement costs of the existing improvements on the Leased Property; (iii) third-party or City appraisals; and (iv) upon payment of all rental due under the Lease and the termination of the Lease and the Site Lease, the transfer by the Authority to the City, pursuant to of the Site Lease and without any additional payment or consideration by the City, of all of the Authority's right, title and interest with respect to the Leased Property.

The parties acknowledge under the Lease that the parties may amend the Lease from time to time to increase the Base Rental Payments payable under the Lease so that Additional Bonds may be executed and delivered pursuant to the provisions of the Lease and of the Indenture. Notwithstanding anything to the contrary contained in the Lease, the Lease may not be amended in a manner such that the sum of Base Rental Payments (including Base Rental Payments payable pursuant to such amendment) and Additional Rental with respect to Outstanding Bonds and Additional Bonds, in any Lease Year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the City under the Lease for such Lease Year, after giving effect to the application of proceeds of any Additional Bonds executed and delivered in connection therewith.

Application of Rental Payments.

All rental payments received shall be applied: first to the Base Rental Payments due under the Lease (including any prepayment premium components); and thereafter to all Additional Rental due under the Lease, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default under the Lease.

Rental Abatement.

(a) Except to the extent of (i) amounts held by the Trustee in the Interest Account, Principal Account or Reserve Fund of the Revenue Fund, (ii) amounts received in respect of use and occupancy insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect or condemnation, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, rental payments due under the Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Rental, in which case rental payments shall be abated only by an amount equal to the difference. In the case of abatement relating to the Leased Property, the amount of annual rental abatement shall be such that the resulting Base Rental Payments in any Lease Year during which such interference continues, excluding any amounts described in clauses (i), (ii), (iii) above, do not exceed the annual fair rental value for each Lease Year of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of an Authorized Representative of the City. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of title defect or substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

(b) In the event the City shall assign, transfer or sublease any or all of the Leased Property or other rights under the Lease, as permitted by the Lease, for purposes of determining the annual fair rental value available to pay Base Rental Payments and Additional Rental, annual fair rental value of the Leased Property shall first be allocated to the Lease as described under "SECURITY AND SOURCES OF PAYMENT — Repair and Maintenance; Taxes and Assessments; Insurance; Modification of the Leased Property" in the front part of this Official Statement.

(c) Any abatement of rental payments pursuant to the Lease as described under this subheading shall not be considered an Event of Default as defined in the Lease, but shall result in the extension of the Expiry Date by a period equal to the period of abatement for which Base Rental Payment has not been paid in full (but in no event later than 10 years after the then existing Expiry Date), and Base Rental Payment for such extension period shall be equal to the unpaid Base Rental Payments during the period of abatement but without interest thereon. The City waives the benefits of California Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease by virtue of any such interference and the Lease shall continue in full force and effect.

(d) In the event that rental is abated, in whole or in part, pursuant to the Lease as described under this subheading due to damage, destruction, title defect or condemnation of any part of the Leased Property and the City is unable to repair, replace or rebuild the Leased Property from the Net Proceeds, if any, the City agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

(e) The City acknowledges and agrees under the Lease that during any period of abatement with respect to all or any part of the Leased Property, the Trustee on behalf of the City shall use the proceeds of use and occupancy insurance and moneys on deposit in the Reserve Fund to make payments of principal and interest on the Bonds.

(f) The City has the option, but not the obligation, to deliver Substituted Property for all or a portion of the Leased Property pursuant to the Lease during any period of abatement.

Prepayment of Base Rental Payments.

The Authority grants an option to the City to prepay the principal component of the Base Rental Payments in full, or in part, without premium.

Said option shall be exercised by the City by giving written notice to the Authority and the Trustee of the exercise of such option at least forty five (45) days prior to the due date of such Base Rental Payment. Such option shall be exercised in the event of prepayment in full, by depositing with said notice cash in an amount, which, together with amounts then on deposit in the Reserve Fund, the Insurance and Condemnation Fund and the Revenue Fund, will be sufficient to pay the aggregate unpaid Base Rental Payments on said due date as set forth in Exhibit A to the Lease, together with any Base Rental Payments then due but unpaid, or, in the event of prepayment in part, by depositing with said notice cash equal to the amount desired to be prepaid (the principal component of which shall be an amount divisible by $5,000) together with any Base Rental Payments then due but unpaid. In the event of prepayment in part, the partial prepayment shall be applied against Base Rental Payments in such manner as the City shall determine and if the City shall fail to make such determination, starting with the next succeeding payment dates. Base Rental Payments due after any such partial prepayment shall be in the amounts set forth in a revised Base Rental Payment Schedule which shall be provided by, or caused to be provided by, the City to the Trustee and which shall represent an adjustment to the schedule set forth in Exhibit B attached to the Lease taking into account said partial prepayment

Obligation to Make Rental Payments.

The agreements and covenants on the part of the City contained in the Lease shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the agreements and covenants contained in the Lease agreed to be carried out and performed by the City.

THE OBLIGATION OF THE CITY OF SAN DIEGO TO MAKE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE COUNTY OF SAN DIEGO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Additional Bonds.

In addition to the Series 2010A Bonds to be executed and delivered under the Indenture, the Authority may, from time to time at the request of the City, but only upon satisfaction of the conditions to the execution and delivery of Additional Bonds set forth in the Indenture, enter into a Supplemental Indenture to authorize Additional Bonds the proceeds of which may be used as provided in the Indenture and as provided in the Supplemental Indenture; provided that prior to or concurrently with the execution and delivery of the Additional Bonds, the City and the Authority shall have entered into an amendment to the Lease providing for an increase in the Base Rental Payments to be made under the Lease to pay Debt Service on such Additional Bonds, subject to the limitations set forth in the Lease pertaining to fair rental value.

Maintenance; Taxes; Insurance and other Charges

Insurance.

(a) The City shall adjust all moneys which may become due and payable under any policies contemplated by the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS — Fire and Extended Coverage Insurance" and "— Use and Occupancy Insurance" in the front part of this Official Statement, may compromise any and all claims thereunder and shall cause the deposit of the Net Proceeds with the Trustee for application as provided in the Lease or in the Indenture. The Trustee shall not be responsible for the sufficiency of any insurance required under the Lease. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the City.

(b) Any insurance policy issued pursuant to the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS — Fire and Extended Coverage Insurance" in the front part of this Official Statement shall be so written or endorsed as to make losses, if any, payable to the City, the Authority and the Trustee as their respective interests may appear and the Net Proceeds of such insurance shall be applied as provided in the Lease as described under "Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds". The Net Proceeds, if any, of such insurance policy shall, to the extent that such proceeds are paid on account of loss or damage to the Leased Property, be payable to the Trustee and deposited in the Insurance and Condemnation Fund and applied as described in the Indenture. The Net Proceeds, if any, of the insurance policy described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS — Use and Occupancy Insurance" in the front part of this Official Statement shall, to the extent that such proceeds relate to the use and occupancy of the Leased Property, be payable to the Trustee and deposited in the Revenue Fund. Each insurance policy provided for in the Lease shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Authority and the Trustee without first giving written notice thereof to the Authority and the Trustee at least 60 days in advance of such intended cancellation or modification. If the insurance carrier cannot include this notice provision, the policy shall require the insurance company to so notify the Authority and the Trustee.

(c) By the date each year that is 30 days after the effective date of the insurance policies, the City's Insurance Consultant shall certify to the City that the type of insurance required by the Lease is in place, subject to subsequent confirmation of the certificates and endorsements. The City shall file a certificate with the Trustee not later than nine months following the effective date of the insurance policies each year, commencing in 2011, certifying that the insurance required by the Lease is in full force and effect and that the Trustee and the Authority are named as loss payees on each insurance policy which the Lease requires to be so endorsed.

(d) As an alternative to providing the insurance required the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS — Fire and Extended Coverage Insurance" in the front part of this Official Statement, or any portion thereof, through a commercial insurance policy, the City may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection shall afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. Before such self-insurance method or plan may be provided by the City, and annually thereafter on or before April 1 of each year so long as such method or plan is being provided to satisfy the requirements of the Lease, the City shall file with the Trustee:

(i) a Written Certificate of the City describing such self-insurance method or plan;

(ii) a Written Certificate of an Insurance Consultant stating that, in the opinion of the signer, such self-insurance method or plan is in accordance with the requirements of this Section and, when effective, will afford reasonable coverage for the risks required to be insured against under the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS — Fire and Extended Coverage Insurance" in the front part of this Official Statement; and

(iii) a Written Certificate of City stating that, during the time such method or plan is in effect and all of the risks described in the provisions of the Lease relating to fire and extended coverage insurance are not covered by policies of insurance, the policies of use and occupancy insurance required by the Lease will remain in effect.

In the event of loss covered by any such self-insurance method or plan, the liability of the City with respect to the damaged portion of the Leased Property shall be limited to the amounts in the self-insurance reserve fund or funds created under such method or plan.

Advances.

In the event the City shall fail to maintain the full insurance coverage required by the Lease or shall fail to keep the Leased Property in good repair and operating condition, the Authority may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Authority shall become Additional Rental, which amounts the City agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Damage, Destruction, Title Defect and Condemnation

Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds.

(a) If prior to the termination of the term of the Lease, (i) the Leased Property or any improvements in or on the Leased Property are damaged (each of which is hereinafter called "Damaged Improvements") by a peril covered by a policy of insurance described the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS — Fire and Extended Coverage Insurance" in the front part of this Official Statement (an "Insured Peril"); or (ii) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the City or the Authority in the Leased Property or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the City and the Authority will cause the Net Proceeds of any insurance claim (other than use and occupancy insurance as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010A BONDS — Use and Occupancy Insurance" which shall be directly transferred to the Trustee for deposit in the Revenue Fund pursuant to the Lease) or condemnation award to be transferred to the Trustee for deposit in the Insurance and Condemnation Fund established pursuant to the Indenture and applied by the Trustee as follows:

(1) *Net Proceeds Exceeding Costs*. Within 120 days of the date of said Insured Peril, the City shall obtain a written estimate(s) of the (i) cost of the repair, replacement and reconstruction of the Damaged Improvements (collectively referred to herein as the "Reconstruction"); and (ii) Net Proceeds available to pay such costs. Copies of such estimate(s) shall be made available to the Trustee at the Trustee's request. If the 120 day period is insufficient to obtain said estimates, the period shall be reasonably extended by the Authorized Representative of the City. If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property) exceed the estimated costs of Reconstruction, the Damaged Improvements shall be repaired, replaced and reconstructed to the same or better quality as existed before the damage occurred. The City shall commence and manage the Reconstruction and shall complete the Reconstruction as soon as reasonably possible after the occurrence of such damage. Any balance of Net Proceeds remaining after the Reconstruction has been completed shall be transferred by the Trustee to the Redemption Fund established under the Indenture and applied, as directed by the City, to redeem Outstanding Bonds in the manner provided by the Indenture as described under "THE SERIES 2010A BONDS — Redemptions Provisions — *Mandatory Sinking Fund Redemption*" in the front part of this Official Statement.

(2) *Costs Exceeding Net Proceeds*. If the estimated costs of Reconstruction exceed the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property), the City, in its sole discretion, may elect to budget and appropriate to the Reconstruction the amount of such excess, whether the same is greater or less than the estimated excess, and to manage the Reconstruction as set forth in paragraph (a)(5) under this subheading. The City shall exercise this election by written notice thereof delivered to the Trustee within 30 days after the City obtains said written estimate(s).

(3) *Net Proceeds Sufficient to Redeem All Bonds*. If the City does not exercise the election to reconstruct pursuant to paragraph (a)(2) above and Net Proceeds are at least sufficient to redeem all Outstanding Bonds pursuant to the Indenture as described under "THE SERIES 2010A BONDS — Redemptions Provisions — *Mandatory Sinking Fund Redemption*" in the front part of this Official Statement , such Net Proceeds shall be transferred by the Trustee to the Redemption Fund established under the Indenture and used to redeem all Outstanding Bonds in the manner provided by the Indenture as described under "THE SERIES 2010A BONDS — Redemptions Provisions — *Mandatory Sinking Fund Redemption*" in the front part of this Official Statement . If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property) exceed the amount necessary to redeem all Outstanding Bonds, the City shall be entitled to the amount of proceeds remaining after redemption of all Outstanding Bonds ("Excess Proceeds") and shall have the option (i) to distribute the Excess Proceeds to the Reconstruction and to manage the Reconstruction pursuant to paragraph (a)(5) below; or (ii) if required by law or if the City so elects, to demolish any remaining improvements on the Leased Property and remove all debris from the Leased Property.

(4) *Net Proceeds Insufficient to Redeem All Bonds*. If the City does not exercise the election to reconstruct pursuant to paragraph (a)(2) above and Net Proceeds are insufficient

to redeem all Outstanding Bonds pursuant to the Indenture as described under "THE SERIES 2010A BONDS — Redemptions Provisions — *Mandatory Sinking Fund Redemption*" in the front part of this Official Statement, the City, in its sole discretion, may elect to budget and appropriate funds to cause the redemption of the remaining Outstanding Bonds and the Net Proceeds, together with such funds, shall be transferred to the Trustee with directions to apply the proceeds to the Redemption Fund established under the Indenture to redeem all Outstanding Bonds in the manner by the Indenture described under "THE SERIES 2010A BONDS — Redemptions Provisions — *Mandatory Sinking Fund Redemption*" in the front part of this Official Statement; provided, that if the City elects not to appropriate funds for the redemption of the remaining Outstanding Bonds, the City shall apply Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property) to the Reconstruction. If the City, in its sole discretion, elects to budget or appropriate funds for the redemption of the remaining Outstanding Bonds, the City shall transfer such funds to the Trustee for deposit in the Redemption Fund established pursuant to the Indenture.

(5) *Management of Reconstruction*. If the Leased Property or any part thereof becomes Damaged Improvements, the City shall promptly cause, manage and supervise the Reconstruction. Nothing described under this subheading shall be construed to preclude the City from agreeing to issue a joint contract for, or otherwise cooperating in, the Reconstruction of any of the Damaged Improvements.

(b) The proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property shall be applied in accordance with the Indenture as described under "THE INDENTURE — Insurance and Condemnation Fund; Title Insurance — *Application of Insurance Proceeds*" above.

Disclaimer of Warranties; Use of the Leased Property

Disclaimer of Warranties.

THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE CITY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. In no event shall the Authority or its assigns be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Lease or the existence, furnishing, functioning or the City's use of the Leased Property as provided by the Lease.

Use of the Leased Property.

The City will not use, operate or maintain the Leased Property in violation of any applicable law or in a manner contrary to that contemplated by the Lease. The City shall provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the City agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; provided, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the City adversely affect the leasehold estate of the Authority in and to the Leased Property or its interest or rights under the Lease.

Assignment

Assignment by Authority.

The parties understand that certain of the rights of the Authority under the Lease will be assigned to the Trustee pursuant to the Indenture and accordingly the City agrees to make all payments due under the Lease to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of the Lease or otherwise) that the City may from time to time have against the Authority. The City agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Authority or the Trustee to protect their interests in the Leased Property during the term of the Lease.

Assignment by City.

The Lease and the interest of the City in the Leased Property may not be assigned or encumbered by the City except as permitted by the Lease as described under "SECURITY AND SOURCES OF PAYMENT — Repair and Maintenance; Taxes and Assessments; Insurance; Modification of the Leased Property" in the front part of this Official Statement.

Default and Remedies

Default.

The following events shall be "Events of Default" under the Lease and the terms "Event of Default" and "Default" shall mean, whenever they are used in the Lease, any one or more of the following events:

(i) the City shall fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to the Lease, provided, that the failure to deposit any Base Rental Payments abated pursuant to the Lease shall not constitute an Event of Default;

(ii) subject to the provisions of the Lease described in paragraph (c) below, the City shall fail to pay any item of Additional Rental when the same shall become due and payable pursuant to the Lease; or

(iii) the City shall breach any other terms, covenants or conditions contained in the Lease or in the Indenture, and shall (i) fail to remedy any such breach with all reasonable dispatch within a period of 60 days after written notice thereof from the Trustee to the City; or (ii) if the failure stated in the notice cannot be corrected within such period, the City shall fail to institute corrective action within such 60-day period and diligently pursue the same to completion; or

(iv) the City's interest in the Lease or any part thereof be assigned, sublet or transferred without the written consent of the Trustee (except as otherwise permitted by the Lease), either voluntarily or by operation of law; or

(v) the City or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the City shall make a general or any assignment for the benefit of its creditors; or

(vi) the City shall abandon or vacate the Leased Property or any portion thereof (except as permitted by the Lease).

Upon the happening of any Event of Default, the Trustee, as assignee of the rights of the Authority pursuant to the Indenture, may exercise those remedies granted to it pursuant to law or under the Lease, subject to the terms of the Lease. The Trustee, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(i) To terminate the Lease in the manner provided in the Lease on account of default by the City, notwithstanding any retaking of possession or re-letting of the Leased Property as hereinafter provided for in the paragraph below, and to retake possession of the Leased Property. In the event of such termination, the City agrees to surrender immediately possession of the Leased Property, without let or hindrance, and to pay the Trustee all damages recoverable at law that the Trustee may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such retaking possession of the Leased Property. Neither notice to pay rent nor to deliver up possession of the Leased Property given pursuant to law nor any proceeding in unlawful detainer, or otherwise, brought by the Trustee for the purpose of obtaining possession of the Leased Property nor the appointment of a receiver upon initiative of the Trustee to protect the Trustee's interest under the Lease shall of itself operate to terminate the Lease, and no termination of the Lease on account of default by the City shall be or become effective by operation of law or acts of the parties to the Lease, unless and until the Trustee shall have given written notice to the City of the election on the part of the Trustee to terminate the Lease.

(ii) Without terminating the Lease, (i) to collect each installment of rent as it becomes due and enforce any other term or provision of the Lease to be kept or performed by the City, and/or (ii) to exercise any and all rights to retake possession of the Leased Property and/or collect rent and other payments under the Existing Leases. In the event the Trustee does not elect to terminate the Lease in the manner provided for under the Lease, the City shall remain liable and agrees to keep or perform all covenants and conditions contained in the Lease to be kept or performed by the City and to pay the rent to the end of the term of the Lease or, in the event that the Leased Property is re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as provided in the Lease as described above for the payment of rent under the Lease (without acceleration), notwithstanding the fact that the Trustee may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental specified in the Lease and notwithstanding any retaking of possession of the Leased Property by the Trustee or suit in unlawful detainer, or otherwise, brought by the Trustee for the purpose of obtaining possession of the Leased Property. Should the Trustee elect to retake possession of the Leased Property as provided in the Lease, the City irrevocably appoints the Trustee as the agent and attorney-in-fact of the City to re-let the Leased Property, or any items thereof, from time to time, either in the Trustee's name or otherwise, upon such terms and conditions and for such use and period as the Trustee may deem advisable and the City indemnifies and agrees to save harmless the Trustee from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any retaking of possession of and re-letting of the Leased Property by the Trustee or its duly authorized agents in accordance with the provisions contained in the Lease. The City agrees that the terms of the Lease constitute full and sufficient notice of the right of the Trustee to re-let the Leased Property in the event of such reentry without effecting a surrender of the Lease, and further agrees that no acts of the Trustee in effecting such re-letting shall constitute a surrender of termination of the Lease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that on the contrary, in the event of such default by the City, the right to terminate the Lease shall vest in the Trustee to be effected in the sole and exclusive manner provided for in subparagraph (1). The City further waives the right to rental obtained by the Trustee in excess of the rental specified in the Lease and conveys and releases such excess to the Trustee as compensation to the Trustee for its services in re-letting the Leased Property or any items thereof.

The City waives any and all claims for damages caused or which may be caused by the Trustee in taking possession of the Leased Property as provided in the Lease and all claims for damages that may result from the destruction of or injury to the Leased Property and all claims for damages to or loss of any property belonging to the City, or any other person, that may be on or about the Leased Property. Notwithstanding anything to the contrary contained in the Lease, the Trustee shall not re-enter or re-let the Leased Property upon an Event of Default unless the Trustee or its sublessee agrees to perform the City's obligations under any then existing sublease, license, management contract, or other agreement substantially relating to the Leased Property, unless the other party to such sublease, license, management contract, or other agreement is in default thereunder. The Authority expressly waives the right to receive any amount from the City pursuant to Section 1951.2(a)(3) of the California Civil Code. The City and Authority and its successors and assigns shall honor the exclusive rights of the City under the Lease to use the Leased Property, subject to the exercise of any and all rights to retake possession of the Leased Property upon the happening of any Event of Default pursuant to the Lease.

Each and all of the remedies given to the Trustee under the Lease or by any law now or hereafter enacted are cumulative, and the single or partial exercise of any right, power, or privilege under the Lease shall not impair the right of the Trustee to other or further exercise thereof or the exercise of any or all other rights, powers, or privileges. If the City Charter, any statute or rule of law shall limit the remedies given to the Trustee under the Lease, the Trustee nevertheless shall be entitled to whatever remedies are allowable under the City Charter, any statute or rule of law, except those specifically waived in the Lease. All rights, remedies and powers provided by under the provisions of the Lease relating to default may be exercised only to the extent that the exercise thereof does not violate any applicable provision of the City Charter or law, and all of the provisions of the Lease relating to default are intended to be subject to all applicable mandatory provisions of the City Charter and law which may be controlling and to be limited to the extent necessary so that they will not render the Lease or the provisions of the Lease invalid or unenforceable under the provisions of the City Charter and any applicable law.

Notwithstanding any other provision of the Lease or the Indenture, in no event shall the Trustee have the right to accelerate the payment of any Base Rental Payment under the Lease and, without limiting the generality of the foregoing, the Trustee specifically waives its rights under Section 1951.2 of the California Civil Code to accelerate payment of any Base Rental Payment in the event of default by the City. In the event the Trustee shall prevail in any action brought to enforce any of the terms and provisions of the Lease, the City agrees to pay a reasonable amount as and for attorney's fees incurred by the Trustee in attempting to enforce any of the remedies available to the Trustee under the Lease. All damages and other payments received by the Trustee as described under this subheading shall be applied in the manner set forth in the Indenture as described under "THE INDENTURE — Events of Default and Remedies — Application of Revenues and Other Funds After Default" herein.

<u>Waiver</u>.

Failure of the Trustee to take advantage of any default on the part of the City shall not be, or be construed as, a waiver thereof, nor shall any custom or practice that may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of the Trustee to insist upon performance by the City of any term, covenant, or condition of the Lease, or to exercise any rights given the Trustee on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rental payments under the Lease shall not be, or be construed to be, a waiver of any term, covenant, or condition of the Lease.

Miscellaneous

Net Lease.

The Lease is a triple net lease. It is the purpose and intent of the Authority and the City that lease payments under the Lease shall be absolutely net to the Authority so that the Lease shall yield to the Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the City except as specifically otherwise provided in the Lease. The Authority shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability under the Lease except as expressly set forth in the Lease, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of the Lease shall be paid by the City.

Amendments to the Lease.

The Lease may be amended in writing as may be mutually agreed by the Authority and the City, subject to the written approval of the Trustee; provided, however, that no such amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than 50% in principal amount of the affected Bonds Outstanding; and provided further that no such amendment shall (i) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment (except a reduction to reflect prepayment or defeasance of any Bonds pursuant to the Indenture, so long as the remaining Base Rental Payments are at least sufficient to pay Debt Service on Outstanding Bonds), without the prior written consent of the Owner of each Series of Bonds so affected; or (ii) reduce the percentage of the value of the Bonds Outstanding, the consent of the Owners of which is required for the execution of any amendment of the Lease.

The Lease and the rights and obligations of the Authority and the City under the Lease may also be amended or supplemented at any time by an amendment of the Lease or supplement to the Lease which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed in the Lease and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved in the Lease to or conferred in the Lease on the Authority or the City, and which in either case shall not, in the judgment of the Trustee, materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Lease or in regard to questions arising under the Lease which the Authority or the City may deem desirable or necessary and not inconsistent herewith, and which shall not, in the judgment of the Trustee, materially adversely affect the interests of the Owners;

(c) to effect a Substitution, Addition or Removal in accordance with the Lease; and

(d) to facilitate the issuance of Additional Bonds;

(e) after prepayment or defeasance of any Bond, to revise Base Rental Payment Schedule to be sufficient to pay Debt Service on Bonds then Outstanding; and

(f) to make any other addition, amendment or deletion which does not, in the judgment of the Trustee, materially adversely affect the interests of the Owners.

Discharge of City.

Upon the payment to the Owners of all Outstanding Bonds in accordance with the provisions of the Indenture described herein under the subheading "Defeasance", all of the obligations of the City under the Lease shall thereupon cease, terminate and become void and shall be discharged and satisfied.

THE SITE LEASE

Certain provisions of the Site Lease are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Site Lease.

Lease of the Leased Property.

The City leases to the Authority and the Authority rents from the City, on the terms and conditions set forth in the Site Lease, the Leased Property including, but not limited to, the right, upon the occurrence of an Event of Default under the Lease, to receive rent and other income derived from the Existing Leases. The Authority hereby acknowledges the existing encumbrances on the Leased Property, including, but not limited to, the Existing Leases and restrictions relating to the grant of the Mission Bay Sites to the City by the State in trust for the uses and purposes and upon the express conditions as provided in an act of legislature approved April 27, 1945 Statutes of California Chapter 143 and the rights therein reserved to the people of the State.

Term.

The term of the Site Lease shall commence on the Closing Date and shall end on the Expiry Date, unless such term is extended or sooner terminated, all as provided in the Lease. If prior to the Expiry Date, all rental payable under the Lease shall have been paid and all Bonds have been fully paid or defeased in accordance with the Indenture, the term of the Site Lease shall end immediately upon the City providing written notice from the Trustee to the Authority to the effect that all Bonds have been fully paid or defeased in accordance with the Indenture. The term of the Site Lease shall not be extended beyond the Expiry Date, except as otherwise provided in the Lease.

Rent.

The Authority shall pay to the City an advance rent of $1.00 as full consideration for the Site Lease over its term. The Authority hereby waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Authority of the Leased Property or portion thereof as a result of material damage, destruction or condemnation.

Purpose.

The Authority shall use the Leased Property solely for the purpose of subleasing the same to the City pursuant to the Lease and the City leases the Leased Property to the Authority expressly on said condition; provided, however, that in the event of default by the City under the Lease, the Authority may exercise the remedies provided in the Lease; provided further, however, that any Leased Property that is dedicated parkland shall be used exclusively for park and recreation purposes pursuant to City Charter Section 55.

Owner in Fee.

The City covenants that it has the right to lease the Leased Property under the Site Lease free and clear of all liens, claims or encumbrances, except Permitted Encumbrances.

Assignments and Subleases.

The Authority shall not assign its rights under the Site Lease or sublet the Leased Property, except as provided in the Lease and the Indenture and as security for the Bonds.

Right of Entry.

The City reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time: to inspect the same; to make any repairs, improvements or changes necessary for the preservation thereof; to perform any of its other duties; or exercise any of its other rights, as contemplated under the Lease.

Default.

In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for thirty (30) days following notice and demand by the City for correction thereof to the Authority, the City may exercise any and all remedies granted by law, except that no merger of the Site Lease and the Lease shall be deemed to occur as a result thereof; provided, however, prior to the Expiry Date, the City shall have no power to terminate the Site Lease by reason of any default on the part of the Authority, if such termination would affect or impair any assignment of the Lease then in effect between the Authority and the Trustee.

Quiet Enjoyment.

The Authority at all times during the term of the Site Lease shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the City.

Eminent Domain.

In the event the whole or any portion of the Leased Property is taken by eminent domain proceedings, any interests of the Authority shall be recognized in accordance with the provisions of the Lease described under the subheading "Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds".

Observance and Performance under the Indenture.

The City agrees and covenants that during the term of the Site Lease and so long as the Indenture remains in effect, it will observe and perform the agreements, conditions, covenants and terms required to be observed or performed by it contained in the Indenture.

Amendments.

The Site Lease may be amended: (a) for the purpose of effecting an Addition, Substitution or Removal, as provided in the Lease, and (b) for any other purpose subject to the same requirements provided in the Lease for amendments to the Lease.

Partial Invalidity.

If any one or more of the agreements, conditions, covenants or terms of the Site Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms of the Site Lease shall be affected thereby, and each provision of the Site Lease shall be valid and enforceable to the fullest extent permitted by law.

Governing Law.

The Site Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

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APPENDIX E

FORM OF BOND COUNSEL OPINION

May __, 2010

City of San Diego
San Diego, California

Public Facilities Financing Authority of the City of San Diego
San Diego, California

We have acted as Bond Counsel to the City of San Diego (the "City") in connection with the issuance of $167,635,000 aggregate principal amount of Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds, Series 2010A (Master Refunding Project) (the "Series 2010A Bonds"), dated the date hereof. In such connection, we have reviewed: the Master Site Lease, dated as of May 1, 2010 (the "Site Lease"), by and between and the Public Facilities Financing Authority of the City of San Diego (the "Authority"); the Master Facilities Lease, dated as of May 1, 2010 (the "Lease"), by and between the Authority and the City; the Master Indenture, dated as of May 1, 2010 (the "Indenture"), by and between the Authority and Wells Fargo Bank, N.A., as Trustee (the "Trustee"); a Tax Compliance Agreement of the Authority and the City with Exhibits, dated the date hereof (collectively the "Tax Agreement"); opinions of the City Attorney, counsel to the Authority and counsel to the Trustee; certificates of the City, the Trustee, the Authority and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture and the Lease.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or such events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Series 2010A Bonds is concluded with their issuance on this date and we disclaim any obligation to update this opinion. We have assumed and relied on, without undertaking to verify, the genuineness of the documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the City and the Authority. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications, and have assumed compliance with the covenants, of the City and the Authority in the Site Lease, the Lease, the Indenture, the Tax Agreement and other relevant documents to which each is a party. The accuracy of certain of those representations and certifications, and compliance by the City and the Authority with certain of their covenants, may be necessary for interest on the Series 2010A Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such covenants subsequent to issuance of the Series 2010A Bonds may cause interest on the Series 2010A Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. The rights and obligations under the Series 2010A Bonds, the Site Lease, the Lease, the Indenture, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against charter cities and joint power authorities in the State of California (the "State"). We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents mentioned in the preceding sentence, nor do we express any opinion with respect to the state or quality of title to, or any interest in, any of the Lease Property described in or subject to the Site Lease or the Lease or the accuracy or sufficiency of the description of any such property contained therein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2010A Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, we are of the following opinions:

1. The Series 2010A Bonds constitute the valid and binding limited obligations of the Authority as provided in the Indenture.

2. The Indenture has been duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of principal and interest on the Series 2010A Bonds and any Additional Bonds which may subsequently be issued under the Indenture, of the Revenues and other amounts held by the Trustee in certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for other purposes and on the terms and conditions set forth therein.

3. The Lease and the Site Lease have been duly authorized, executed and delivered by the City and the Authority and constitute the valid and binding obligations of the City and of the Authority, respectively, enforceable against the City and the Authority in accordance with the terms thereof. The obligation of the City to make the Base Rental Payments during the term of the Lease constitutes a valid and binding obligation of the City, payable from funds of the City lawfully available therefor, and does not constitute a debt of the City or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt

limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

4. Interest on the Series 2010A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income taxes. We express no opinion as to any other tax consequences regarding the Series 2010A Bonds.

Portions of the interest on the Series 2010A Bonds earned by corporations may be subject to a corporate alternative minimum tax under the Code. In addition, under the Code, interest on the Series 2010A Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

Respectfully submitted,

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APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

None of the City, the Authority, the Trustee or the Underwriters can or do give any assurances that DTC, the Participants or others will distribute payments of principal of or interest on the Series 2010A Bonds paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the City, the Authority, the Trustee or the Underwriters is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Series 2010A Bonds or an error or delay relating thereto.

The following information concerning The Depository Trust Company ("*DTC*") and DTC's book-entry system has been obtained from sources that the City, the Authority and the Underwriters believe to be reliable, but neither the City, the Authority nor the Underwriters take responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in this Official Statement and in APPENDIX D — "SUMMARY OF LEGAL DOCUMENTS."

1. The Depository Trust Company, New York, NY, will act as securities depository for the Series 2010A Bonds. The Series 2010A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of the Series 2010A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such

as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Series 2010A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010A Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2010A Bonds, except in the event that use of the book-entry system for the Series 2010A Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2010A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2010A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2010A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2010A Bonds may wish to ascertain that the nominee holding the Series 2010A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2010A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2010A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City, as the issuer of the Series 2010A Bonds, as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2010A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Series 2010A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Series 2010A Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

10. The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Authority believe to be reliable, but neither the City nor the Authority take any responsibility for the accuracy thereof.

DTC may discontinue providing its services as depository with respect to the Series 2010A Bonds at any time by giving reasonable notice to the City, the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2010A Bonds are required to be printed and delivered as described in the Indenture. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered.

Risks Regarding the Book-Entry Only System

AS LONG AS CEDE & CO. OR ITS SUCCESSOR IS THE REGISTERED HOLDER OF THE SERIES 2010A BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED HOLDERS OF THE SERIES 2010A BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2010A BONDS. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTEXT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2010A BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE. Each person for whom a Participant acquires an interest in the Series 2010A Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such person, forwarded in writing by such Participant and to receive notification of all interest payments.

NONE OF THE CITY, THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE PAYMENTS TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS, THE SELECTION OF THE BENEFICIAL INTERESTS IN THE SERIES 2010A BONDS TO BE REDEEMED IN THE EVENT OF REDEMPTION OF LESS THAN ALL SERIES 2010A BONDS OF A PARTICULAR MATURITY OR THE PROVISION OF NOTICE TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE SERIES 2010A BONDS. NO ASSURANCE CAN BE GIVEN BY THE CITY, THE AUTHORITY THE TRUSTEE OR THE UNDERWRITERS THAT DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR OTHER NOMINEES OF THE BENEFICIAL OWNERS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO THE BENEFICIAL OWNERS, THAT THEY WILL DISTRIBUTE NOTICES, INCLUDING REDEMPTION NOTICES (REFERRED TO ABOVE), RECEIVED AS THE REGISTERED OWNER OF THE SERIES 2010A BONDS TO THE BENEFICIAL OWNERS, THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

In the event the Authority determines not to continue the book-entry system or DTC determines to discontinue its services with respect to the Series 2010A Bonds, and the Authority does not select another qualified securities depository, the Authority shall deliver one or more Series 2010A Bonds in such principal amount or amounts, in authorized denominations, and registered in whatever name or names, as DTC shall designate. In such event, transfer and exchanges of Series 2010A Bonds will be governed by the provisions of the Indenture.

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is executed and delivered by the City of San Diego (the "City") as of May 1, 2010 in connection with $167,635,000 principal amount of Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds, Series 2010A (Master Refunding Project) (the "Series 2010A Bonds"). The Series 2010A Bonds are being issued pursuant to the terms of a Master Indenture, dated as of May 1, 2010 (the "Master Indenture"), by and between the Public Facilities Financing Authority of the City of San Diego (the "Authority") and Wells Fargo Bank, N.A., as trustee (the "Trustee"). The City hereby covenants and agrees as follows:

1. Purpose of Certificate. This Certificate is being executed and delivered by the City on behalf of the Authority for the benefit of the Bondowners and Beneficial Owners of the Series 2010A Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below). The City is the only Obligated Person (as defined in the Rule) for the Series 2010A Bonds.

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

"Annual Report" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Certificate.

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2010A Bonds (including persons holding Series 2010A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2010A Bonds for federal income tax purposes.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means the City and any Person designated by the City to serve as Dissemination Agent.

"Listed Events" means any of the events listed in Section 5(a) of this Certificate.

"MSRB" means the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system.

"Participating Underwriter" means any of the original purchasers of the Series 2010A Bonds required to comply with the Rule in connection with the offering of the Series 2010A Bonds.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Rule" means paragraph (b) (5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including any official interpretations thereof issued either before or after the effective date of this certificate which are applicable to this Certificate.

3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 285 days after the end of the City's fiscal year (which currently ends June 30th), commencing with the report for the 2010 fiscal year, provide to the MSRB, in a format prescribed by the MSRB, copies of an Annual Report which is consistent with the requirements of Section 4 of this Certificate. As of the date of this Certificate, the format prescribed by the MSRB is the Electronic Municipal Market Access ("EMMA") system. Information regarding submissions to EMMA is available at emma.msrb.org.

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 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 date required above for the filing of the Annual Report if they are not available by that 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 Subsection 5(c).

(b) Not later than 15 Business Days prior to the date specified in subsection (a) above for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if one has been appointed). If the City is unable to provide to the MSRB an Annual Report by the date specified in subsection (a) above, the City shall send a notice to the MSRB in substantially the form of Exhibit A to this Certificate.

(c) The Dissemination Agent (if one has been appointed) shall:

(i) determine each year prior to the date for providing the Annual Report the format for filing with the MSRB; and

(ii) file a report with the City certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided to the MSRB.

4. <u>Content of Annual Reports</u>. The City's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the City for the fiscal year most recently ended, 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 and reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a) of this Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Series 2010A Bonds ("Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the financial statements, the following types of information will be provided in one or more reports in a format similar to that in the Official Statement:

(i) A table presenting a summary of the City's operating budget for the latest available fiscal year.

(ii) A table presenting assessed valuation of taxable property in the City.

(iii) A table presenting secured tax levies and collections.

(iv) A table presenting the City's outstanding general obligation and general fund lease obligations and any short-term borrowings.

(v) A table presenting aggregate annual scheduled lease payments or rental payments with respect to outstanding lease revenue bonds and certificates of participation payable from the general fund of the City.

(vi) A brief description of the San Diego City Employees' Retirement System, including but not limited to its funded status.

Any or all of the items listed above 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 submitted to the MSRB or the Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the City to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the City or to reflect changes in the business, structure, operations, legal form of the City or any mergers, consolidations, acquisitions or dispositions made by or affecting the City; provided that any such modifications shall comply with the requirements of the Rule.

5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2010A Bonds, if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax status of the Series 2010A Bonds;

(vii) modifications to the rights of Bondowners;

(viii) bond calls;

(ix) defeasances;

(x) release, substitution, or sale of property, if any, securing repayment of the Series 2010A Bonds; and

(xi) rating changes.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly file, or cause to be filed, a notice of such event with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (viii) and (ix) above need not be given under this subsection any earlier than the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Master Indenture.

6. Termination of Reporting Obligation. The City's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2010A Bonds. If such termination occurs prior to the final maturity of the Series 2010A Bonds, the City shall give notice of such termination in the name manner as for a Listed Event under subsection 5(c).

7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligation under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent, if other than the City, shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Certificate. The initial Dissemination Agent shall be the City.

8. Amendment: Waiver. Notwithstanding any other provision of this Certificate, the City may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of subsection 3(a), Section 4, or subsection 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 Series 2010A Bonds, or the type of business conducted;

(b) The undertakings, as amended or taking into 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 issuance of the Series 2010A 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 either (1) is approved by the Owners majority of outstanding principal amount of the Series 2010A Bonds, in the same manner as provided in the Master Indenture for amendments to the Master Indenture with the consent of the Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners or Beneficial Owners of the Series 2010A Bonds.

In the event of any amendment or waiver of a provision of this 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 following in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(c), and (ii) the Annual Report for the year in which the change is made shall 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.

9. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, including the information then contained in Appendix A to the City's official statements relating to debt issuances, using the means of dissemination set forth in this 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 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 Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the City to comply with any provision of this Certificate, any Bondowner or Beneficial Owner of the Series 2010A Bonds may commencing an action in a court of competent jurisdiction in San Diego, California, seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Certificate; provided that any Beneficial Owner seeking to require the City to comply with this Certificate shall first provide at least 30 days' prior written notice to the City of the City's failure, giving reasonable detail of such failure, following which notice the City shall have 30 days to comply. A default under this Certificate shall not be deemed an Event of Default under the Master Indenture with respect to the Series 2010A Bonds, and the sole remedy under this Certificate in the event or any failure of the City to comply with this Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Certificate.

11. Duties Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the City agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which 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 obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2010A Bonds.

12. Beneficiaries. This Certificate shall inure solely to the benefit of the City, the Dissemination Agent the Bondowners and Beneficial Owners from time to time of the Series 2010A Bonds, and shall create no rights in any other person or entity.

13. 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.

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

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

CITY OF SAN DIEGO

By:_______________________________________
Authorized Signatory

[Signature page of Continuing Disclosure Certificate]

EXHIBIT A

NOTICE TO the MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party:	City of San Diego
Name of Bond Issue:	Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds, Series 2010A (Master Refunding Project)
Date of Issuance:	May __, 2010

NOTICE IS HEREBY GIVEN that 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 May 1, 2010 with respect to the Series 2010A Bonds. The City anticipates that the Annual Report will be filed by __________.

Dated:_______________

____
On behalf of the City

____

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