

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement (please include name of state where issuer is located):

See Below

Provide nine-digit CUSIP* numbers if available, to which the information relates:

See Below

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located): **CITY OF SAN DIEGO, CALIFORNIA, AND OTHERS AS LISTED ON THE ATTACHED MATERIAL EVENT NOTICE**

Other Obligated Person's Name (if any):
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer: **797260, 797448, 797299, 79727L, 797290, 797236, 797304, 79730A, 79730C, AND 797263**

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

Electronic and Facsimile (Number of pages attached): **11 PAGES (INCLUDING THIS COVER SHEET)**

If information is also available on the Internet, give URL: **N/A**

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. Annual Financial Information and Operating Data pursuant to Rule 15c2-12

(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered:

B. Audited Financial Statements or CAFR pursuant to Rule 15c2-12 Fiscal Period Covered:

C. Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- | | |
|---|---|
| 1. Principal and interest payment delinquencies _____ | 6. Adverse tax opinions or events affecting the tax-exempt status of the security _____ |
| 2. Non-payment related defaults _____ | 7. Modifications to the rights of security holders _____ |
| 3. Unscheduled draws on debt service reserves reflecting financial difficulties _____ | 8. Bond calls _____ |
| 4. Unscheduled draws on credit enhancements reflecting financial difficulties _____ | 9. Defeasances _____ |
| 5. Substitution of credit or liquidity providers, or their failure to perform _____ | 10. Release, substitution, or sale of property securing repayment of the securities _____ |
| | 11. Rating changes <u>XXX</u> |

D. Notice of Failure to Provide Annual Financial Information as Required

E. Other Secondary Market Information (Specify): _____

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

Issuer Contact:

Name P. LAMONT EWELL Title CITY MANAGER
Employer CITY OF SAN DIEGO
Address 202 C STREET, MAIL STATION 9A City SAN DIEGO State CA Zip Code 92101

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Name: P. LAMONT EWELL Title: CITY MANAGER
Employer: CITY OF SAN DIEGO
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Relationship to Issuer: **DISCLOSURE REPRESENTATIVE**

Obligor Contact, if any:

Name _____ Title _____
Employer _____
Address _____ City _____ State _____ Zip Code _____

Investor and Credit Relations Contact:

Name _____ Title _____
Telephone _____ Fax: _____

Press Contact:

Name P. LAMONT EWELL Title CITY MANAGER
Employer CITY OF SAN DIEGO
Address 202 C STREET, MAIL STATION 9A City SAN DIEGO State CA Zip Code 92101

**MATERIAL EVENT NOTICE PURSUANT TO S.E.C. RULE 15c2-12(b)(5)(i)(C)
OF FITCH RATINGS DOWNGRADE**

Dated June 1, 2005

NOTICE IS HEREBY GIVEN that on May 27, 2005, Fitch Ratings announced that it had downgraded the ratings on all of the City of San Diego, California's General Obligation bonds, Sewer Revenue bonds, and Water Utility Senior Lien Obligation Revenue bonds to 'BBB+', from 'A', downgraded the Water Utility Subordinate Revenue bonds to 'BBB', from 'A-', and downgraded the ratings on certain General Fund lease backed debt to 'BBB-' from 'A-'. Fitch Ratings also continued a Rating Watch Negative on all the affected issuances. The following tables outline the affected issuances with respect to the change in ratings. The attached Fitch Ratings publication dated May 27, 2005 provides additional information regarding this action.

Ratings Downgrade

Name of Issue	Issue Date	Fitch's Rating	6-Digit CUSIP Number
City of San Diego 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding) Evidencing Undivided Proportionate Interest in Lease Payments to be Made by the City of San Diego Pursuant to a Lease with the San Diego Facilities and Equipment Leasing Corporation	May 29, 2003	BBB- (formerly A-)	797260
City of San Diego/MTDB Authority 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding)	April 30, 2003	BBB- (formerly A-)	797448
Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds Series 2002B (Fire and Life Safety Facilities Project)	June 12, 2002	BBB- (formerly A-)	797299
Convention Center Expansion Financing Authority Lease Revenue Bonds Series 1998A (City of San Diego, California, as Lessee)	September 1, 1998	BBB- (formerly A-)	79727L

**MATERIAL EVENT NOTICE PURSUANT TO S.E.C. RULE 15c2-12(b)(5)(i)(C)
OF FITCH RATINGS DOWNGRADE**


Ratings Downgrade (Continued)

Name of Issue	Issue Date	Fitch's Rating	6-Digit CUSIP Number
San Diego Open Space Park Facilities District No. 1 General Obligation Bonds Refunding Series 1994	May 15, 1994	BBB+ (formerly A)	797290
City of San Diego, California 1991 General Obligation Bonds (Public Safety Communications Project)	March 1, 1991	BBB+ (formerly A)	797236
Public Facilities Financing Authority of the City of San Diego Subordinated Water Revenue Bonds, Series 2002 (Payable Solely from Subordinated Installment Payments Secured by Net System Revenues of the Water Utility Fund)	October 8, 2002	BBB (formerly A-)	79730C
Certificates of Undivided Interest In Installment Payments Payable From Net System Revenues of the Water Utility Fund of the City of San Diego, California, Series 1998	August 4, 1998	BBB+ (formerly A)	797263
Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds Series 1999 A and Series 1999 B (Payable Solely from Installment Payments Secured by Wastewater System Net Revenues)	March 2, 1999	BBB+ (formerly A)	79730A
Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds Series 1997 A and Series 1997 B (Payable Solely from Installment Payments Secured by Wastewater System Net Revenues)	February 26, 1997	BBB+ (formerly A)	79730A

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OF FITCH RATINGS DOWNGRADE**

Ratings Downgrade (Continued)

Name of Issue	Issue Date	Fitch's Rating	6-Digit CUSIP Number
Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds Series 1995 (Payable Solely from Installment Payments Secured by Wastewater System Net Revenues)	December 1, 1995	BBB+ (formerly A)	79730A
Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds Series 1993 (Payable Solely from Installment Payments Secured by Wastewater System Net Revenues)	September 15, 1993	BBB+ (formerly A)	797304

CITY OF SAN DIEGO
By: 
P. LAMONT EWELL
City Manager

**MATERIAL EVENT NOTICE PURSUANT TO S.E.C. RULE 15c2-12(b)(5)(i)(C)
OF FITCH RATINGS DOWNGRADE**

Distribution:

Municipal Securities Rulemaking Board

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Fitch Lowers \$1.95B Of San Diego, California Debt: Remains on Watch Negative

27 May 2005 2:06 PM (EDT)

Fitch Ratings-San Francisco-May 27, 2005: Fitch Ratings has downgraded the following ratings for the city of San Diego, California:

- \$22 million in outstanding general obligation bonds to 'BBB+' from 'A';
- \$250 million in leased backed debt to 'BBB-' from 'A-'.

Fitch also lowers the following:

San Diego Public Facilities Financing Authority

- \$1.1 billion in sewer revenue bonds to 'BBB+' from 'A'.
- \$287 million in subordinate water revenue bonds to 'BBB' from 'A-'.

San Diego Facilities and Equipment Leasing Corporation

- \$287 million in certificates of undivided interest, series 1998 (secured by a senior lien on water enterprise revenues) to 'BBB+' from 'A'.

All ratings remain on Rating Watch Negative by Fitch.

Fitch's rating actions reflects the city's continued delay in releasing its fiscal 2003 and 2004 audit and the negative effect the ongoing political conflicts and upcoming election have on the city's ability to resolve the its sizable financial challenges. Fitch continues to believe that San Diego's strong economic base and advantageous tax structure gives it a strong ability to pay, and that current credit quality concerns focus on the city's willingness to pay, hence the two-step rating difference between general obligation and lease secured bonds. Ratings for the enterprise system debt factor in the essential nature of these services.

Fitch believes that strong leadership and political consensus are needed to achieve budgetary balance in the next several fiscal years. In particular, Fitch notes the mayor's recent resignation announcement, upcoming election, and several ongoing investigations into criminal activity, irregular disclosure, and conflicts of interest as obstacles in drafting and adopting a sound budget for fiscal 2006. For future years, continued resilience to labor and constituent pressures will be needed to retain financial balance as pension contributions rise. Lastly, today's rating actions take into consideration mentions of bankruptcy by the city attorney and possible mayoral candidates, although the action remains strongly opposed by the mayor, city council, and city manager.

In retaining investment grade ratings on all city debt, Fitch recognizes the strength of the city's

economy and its diverse revenue stream that benefits from the economic activity. Liquidity concerns are alleviated by a tentative agreement with Bank of America for purchase of the city's tax and revenue anticipation notes. Fitch also notes that tentative labor agreements with four of the city's five bargaining groups take steps to reduce costs by freezing salary and benefit packages, requiring employee contributions to reduce the San Diego City Employees Retirement System's (SDCERS) unfunded actuarial accrued liability, and restricting certain retirement benefits for new hires. However, the current agreements do not realize all of the savings envisioned in the city's multi-year financial plan. For the city to achieve financial balance over the forecast period, service reductions and additional personnel savings are needed.

The ratings remain on Rating Watch Negative to reflect continued uncertainty regarding the city's ability to achieve budgetary balance over the next several years as the required pension contribution rises significantly.

Fitch views the audits' release date as uncertain, largely the result of a stalemate making the auditing firm, KPMG, unable to gain comfort that illegal activities have not taken place. The SDCERS board is reconsidering its prior refusal to provide certain documentation requested for KPMG, citing attorney-client privilege. The mayor, city council, and city attorney have requested that the board provide the documentation. As a positive development, the city has hired a firm specializing in forensic accounting to work with KPMG to achieve their satisfaction and enable an audit to be released.

In San Diego's multi-year financial forecast, alternative scenarios are considered, with the base case indicating financial balance if sizable labor cost reductions are made. Tentative agreements with four of the city's five employee bargaining groups come close to the plan's targets. Service reductions as have been proposed for fiscal 2006 by the city manager also will be necessary, again requiring strong fiscal discipline and political resolve by San Diego's leaders. Fitch is concerned that with investigations pending, allegations continuing, and a mayoral election pending, such cohesion and leadership are likely to continue to be absent.

Also, today's rating actions echo Fitch's previously expressed concern regarding the employee time and focus required to handle the multiple investigations underway, including those conducted by the Securities and Exchange Commission, Federal Bureau of Investigation, and U.S. Attorney. These efforts add to the city's work burden and distract needed attention from budgetary matters. Also, the District Attorney has indicated other charges will be forthcoming.

In an earlier rating downgrade, Fitch stated audited financial statements were needed to be able to view the city's financial condition as strong, as had been reported previously and is in accordance with prior year's operations. Nonetheless, Fitch's role as a rating agency dictates the responsibility to retain ratings whenever possible. Given the city's very strong reserve levels and financial operations through fiscal 2002 and the city's robust economy, Fitch expects the audited results for fiscal 2003 to be at least satisfactory.

Today's downgrade actions are in keeping with Fitch's emphasis on effective management as a key component of credit quality. Evidence of significant structural change and a resulting

positive effect are crucial to Fitch's returning San Diego's ratings to higher levels. In fact, Fitch believes the city has the potential to return to a position of above average credit quality based on its economic strength and ability to translate positive economic performance into sound financial operations through its varied tax structure. Fitch awaits release of the city's audited financial reports for fiscals 2003 and 2004 along with a sound and balanced budget for fiscal 2006 and further evidence of ongoing fiscal stability.

Other ratings downgraded and remaining on Rating Watch Negative by Fitch include the following:

San Diego, California

--Certificate of participation refunding bonds, series 2003 to 'BBB-' from 'A-'.

San Diego Metropolitan Transit Development Board

--Lease revenue bonds (San Diego Old Town Light Transit Extension Refunding), series 2003 to 'BBB-' from 'A-'.

Convention Center Expansion Authority

--Lease revenue bonds, series 1998A to 'BBB-' from 'A-'.

San Diego Public Facilities Financing Authority

--Lease revenue bonds, (Fire and Life Safety Facilities Project), series 2002B to 'BBB-' from 'A-';

--Sewer revenue bonds to 'BBB+' from 'A';

--Subordinate water revenue bonds to 'BBB' from 'A-'.

San Diego Facilities and Equipment Leasing Corp.

--Certificates of undivided interest (water revenue), series 1998 to 'BBB' from 'A'.

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