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

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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: **SEE THE ATTACHED MATERIAL EVENT NOTICE FOR ALL CUSIP NUMBERS**

*(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): 9 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 15c2-12Fiscal Period Covered:

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

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

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**___

Dissemination Agent 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**_

Obligor Contact, if any:
Name ____________ Title ____________
Employer ____________
Address ____________ City ____________ State ______ Zip Code ____________

Investor and Credit Relations Contact:
Name____**MARY E. VATTIMO** ____________ Title___**CITY TREASURER** ____________
Telephone____**(619) 236-6639** ____________ Fax: **(619) 533-5933** ____________

Press Contact:
Name: ____________ Title: ____________
Telephone: ____________ Fax: ____________

MATERIAL EVENT NOTICE PURSUANT TO S.E.C. RULE 15c2-12(b)(5)(i)(C) OF MOODY'S INVESTORS SERVICE RATINGS DOWNGRADE

Dated August 12, 2004

NOTICE IS HEREBY GIVEN that on August 10, 2004, Moody's Investors Service announced that it had downgraded the rating on all City of San Diego, California's general obligation bonds to 'Aa3', from 'Aa1'. The ratings on the City's other general fund obligations have been correspondingly downgraded as listed below. Moody's outlook on the City's ratings is now stable, revised from the prior negative. The attached Moody's Investors Service publication dated August 10, 2004 provides additional information regarding this action.

Ratings Downgrade

Name of Issue	Issue Date	Moody's Rating	Principal Amount Outstanding as of June 30, 2004	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 2003	Aaa/A2 (Underlying Rating) (formerly Aa3)	$16,940,000	797260
City of San Diego/MTDB Authority 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding)	April 2003	Aaa/A2 (Underlying Rating) (formerly Aa3)	$15,010,000	797448
Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds Series 2002B (Fire and Life Safety Facilities Project)	June 2002	Aaa/A2 (Underlying Rating) (formerly Aa3)	$24,665,000	797299
Convention Center Expansion Financing Authority Lease Revenue Bonds Series 1998A (City of San Diego, California, as Lessee)	September 1998	Aaa/A2 (Underlying Rating) (formerly Aa3)	$192,480,000	79727L
Public Facilities Financing Authority of the City of San Diego Taxable Lease Revenue Bonds Series 1996A (San Diego Jack Murphy Stadium)	December 1996	Aaa/A3 (Underlying Rating) (formerly A1)	$62,870,000	797299

MATERIAL EVENT NOTICE PURSUANT TO S.E.C. RULE 15c2-12(b)(5)(i)(C) OF MOODY'S INVESTORS SERVICE RATINGS DOWNGRADE

Ratings Downgrade (Continued)

Name of Issue	Issue Date	Moody's Rating	Principal Amount Outstanding as of June 30, 2004	6-Digit CUSIP Number
City of San Diego, California Certificates of Participation (Balboa Park and Mission Bay Park Capital Improvements Program) Series 1996B	July 1996	A2 (formerly Aa3)	$9,845,000	797260
City of San Diego, California Certificates of Participation (Balboa Park and Mission Bay Park Capital Improvements Program) Series 1996A	July 1996	A2 (formerly Aa3)	$20,570,000	797260
San Diego Open Space Park Facilities District No. 1 General Obligation Bonds Refunding Series 1994	May 1994	Aa3 (formerly Aa1)	$31,385,000	797290
City of San Diego/MTDB Authority Lease Revenue Bonds (1994 Refunding)	April 1994	A2 (formerly Aa3)	$21,775,000	797448
City of San Diego, California 1991 General Obligation Bonds (Public Safety Communications Project)	March 1991	Aa3 (formerly Aa1)	$14,390,000	797236

CITY OF SAN DIEGO

By: P. Lamont Ewell

P. LAMONT EWELL
City Manager

MATERIAL EVENT NOTICE PURSUANT TO S.E.C. RULE 15c2-12(b)(5)(i)(C) OF MOODY'S INVESTORS SERVICE RATINGS DOWNGRADE

Distribution:

Municipal Securities Rulemaking Board

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MBIA Insurance Corporation (Insurer)

Global Credit Research
Rating Update
10 AUG 2004

Rating Update: San Diego (City of) CA

MOODY'S DOWNGRADES CITY OF SAN DIEGO GO BONDS TO Aa3 FROM Aa1

RATING OUTLOOK CHANGED TO STABLE FROM NEGATIVE

Municipality
CA

Opinion

NEW YORK, Aug 10, 2004 -- Moody's Investors Service has downgraded the City of San Diego General Obligations Bonds to Aa3 from Aa1. The ratings on the city's other general fund obligations have been correspondingly downgraded as listed below. Our outlook on the city's ratings is now stable, revised from the prior negative. The downgrade reflects a fundamental shift in the credit profile of the city, the result of both long-term trends and recent developments. While, like many California cities, San Diego's economy and tax base have exhibited strong and steady growth since the mid-1990's, the city's financial position has not strengthened as a result. In recent years the city has also taken on an increasing debt load. Reserves have remained narrow, and notably below average for the prior rating level, despite the strong local economy. This has left the city particularly vulnerable to cyclical events such as the recent state revenue cutbacks and the stock market decline. In the past, Moody's had viewed the city's fiscal management as a credit strength and an offset to its narrow reserve position, but new concerns have arisen about the city's ability to manage its financial position. These concerns are in part a function of such events as the revelation of errors in the city's audited financial statement, the continued lack of a final 2003 audit, and investigations into the city's disclosure practices by the Securities Exchange Commission and the U.S. Attorney's office. While our confidence in the city's financial management has eroded, we note that staff is taking steps toward addressing these challenges.

TAX BASE CONTINUES TO GROW AS ECONOMY REMAINS COMPARATIVELY STRONG

The city's economy and tax base have exhibited strong and steady growth since the mid-1990's. The economy in the City of San Diego benefits from its location on the U.S.-Mexican border and from the presence of numerous research-oriented institutions. The local economy is characterized by high technology industries including telecommunications, software development, biotechnology and electronics, as well as manufacturing, professional services and international trade. The military remains an important contributor, and tourism continues to be key. The city, like others in Southern California, was strongly affected by the recession in the early 1990's, but its economy grew and diversified dramatically in the late 1990's. Unlike the last recession, the recent recession was felt most heavily in Northern California; despite the statewide and national recession, the San Diego economy has remained healthy. Some effects have been felt in economically sensitive revenue sources. Growth in taxable sales slowed dramatically from an 11% increase in 2000 to less than 2% each year in 2001 and 2002. Given the experience of other cities in California and nationally, the fact that taxable sales continued to grow is in itself testimony to the area's economic resilience. Similarly, Transit Occupancy Tax revenues decreased between 2001 and 2002 as 9/11 affected travel and tourism, but estimates for 2004 show a full recovery with revenues exceeding the 2001 figures. Unemployment has consistently remained below the state and national rates; the county's unemployment rate of 3.9% in April 2004 was down from 4.2% the prior year. Assessed value growth continues almost unabated, with an average annual growth of 8.9% between 1998 and 2003 resulting in a tax base of $100.3 billion. Real estate prices remain strong, and despite their extraordinarily high levels no slowdown is apparent.

GENERAL FUND RESERVES REMAIN NARROW

Although its economy has improved, the city's reserve levels have remained limited. City staff has internally identified reserves outside the General Fund that are available for General Fund purposes if needed. The city's fund balances in its General Fund, however, remain low. Total fund balance represented 9.7% of General Fund revenues in fiscal 2002, and unreserved fund balances totaled 6.1% of revenues. Audited results for more recent years are not yet available, but reserve levels are expected to be similar. By comparison with some other large, highly rated cities nationwide these percentages are not low. However, most large cities outside California have the flexibility to raise taxes as needed to address expenditure pressures. San Diego, like all California cities, requires a vote to raise taxes and recent efforts in this regard have proven politically charged and not reliably successful. San Diego's reserves are notably narrow by comparison with California cities, large and small, rated in the 'Aa' category.

QUESTIONS REGARDING FINANCIAL MANAGEMENT ARE A NEGATIVE CREDIT FACTOR

Questions have arisen over the past year regarding the city's financial management. Financial reporting remains an area of concern, and as such is inconsistent with a high 'Aa' rating. The city's fiscal 2003 audited financial report has not yet been released, as a comprehensive audit is being undertaken by a new accounting firm in the wake of reporting errors found in the city's fiscal 2002 CAFR. Investigations are underway by the Securities Exchange Commission and the U.S. Attorney's office into the city's disclosure practices. City staff is taking steps towards addressing concerns surrounding financial management. The city also has hired a consultant to assist it in improving its disclosure practices. The city's current rating gives credit to these actions on the part of the city; Moody's notes, however, that further rating action is possible should it be warranted by the results of the reports and investigations.

STRUCTURALLY BALANCED BUDGET REMAINS ELUSIVE; PENSION PRESSURES A CONTRIBUTING FACTOR

A structurally balanced budget is a hallmark of the highest rated cities nationwide; the city's policy makers do not appear to have made this a priority. San Diego, unlike other highly rated cities, did not achieve structural balance during the economic boom of the late 1990's; in fact, the city has made a series of decisions which have precluded structural balance. Cities and counties in California routinely make full actuarially recommended contributions (ARC) to their pension systems. In 1996 the city entered into an agreement with its Pension Board, and in 2002 the agreement was modified, in both cases to allow the city to contribute less than the ARC. During this time the city, like many others in California, also granted improved pension benefits. Nearly half of the city's cumulative increased unfunded actuarial accrued liability between 1997 and 2002 resulted from the city's decisions to underfund the system and from increased benefits. It is notable that the city did not explore raising revenues sufficient to address its increased expenses, although its charter potentially provides options for doing so.

DEBT LEVELS HAVE INCREASED

The city's debt levels have increased significantly in recent years. Individual issues have been undertaken in support of the local economy, such as the convention center expansion and the ballpark and redevelopment project. City staff has identified specific revenues to support these payments, and has negotiated offsets to the costs of the obligations wherever possible. Nonetheless, whereas in the past the city had been debt-averse, debt issuance has become the norm. The city's net direct debt as a percentage of assessed value has not increased significantly as its tax base has grown, but direct debt per capita has risen by over 30%, from $381 in 1996 to $501 in 2002. The city's lease burden has also increased somewhat over that period, reaching 5.7% in 2002. Additional issuances are under consideration. The city's debt levels are consistent with those of other highly rated cities, but the city's debt position is no longer the credit strength it had been in the past.

PRELIMINARY RESULTS FOR FISCAL 2004 CONSISTENT WITH PRIOR YEARS; MAJOR FINANCIAL CHALLENGES REMAIN

The city's preliminary financial results for fiscal 2004 do not indicate a dramatic change from recent practice. The city was able to increase by 33% its unappropriated reserve, which represents a component of its undesignated General Fund balance. However, total reserves as a percentage of revenues is expected to remain consistent with prior years. The city generated an operating surplus in fiscal 2004, although it did so by a change in accounting practice which generated one-time revenues of $10 million. Arguably its major challenges were one-time expenses. Fighting the devastating Cedar Fires cost approximately $3 million. The city also faced a major challenge common to all California cities, the gap in the State's backfill of vehicle license fee revenues, which for the city meant lost revenue totaling $16.8 million. Moody's notes that most highly rated California cities had built up reserves in recent years in anticipation of a potential slowdown in the economy and/or State revenue cutbacks, while San Diego had not done so.

The city reports that the resolution of the State's budget crisis has turned out somewhat more favorably than had been anticipated. The city also has placed on the November ballot an ordinance raising Transit Occupancy Taxes (TOT); unlike the TOT measure that was defeated in May despite 61% of the vote in its favor, the current ballot measure is designed to require a simple majority approval. Moody's notes these as positive developments for the current fiscal year, while pointing out that the financial impact of both these events are outside the control of the city. The city has not exerted control over its expenditure levels sufficient to generate strong reserves and a stable, structurally balanced budget, and its flexibility is becoming increasingly limited to address future unanticipated challenges.

Emblematic of policy makers' reduced flexibility to address financial concerns, decisions pertaining to the city's pension costs are being taken out of their hands. Citizens unhappy with the city's exercise of its flexibility with respect to pension payments filed a lawsuit to compel the city to make full actuarially recommended payments. Settlement of the lawsuit has permitted a pension payment in fiscal 2005 that is less than ARC, and mandates full payment in fiscal 2006, 2007 and 2008 using a 30-year amortization period. An ordinance currently on the ballot would mandate certain payments by the city, and would require a 15-year amortization period after 2008. (The ordinance does recognize, however, the Pension Board's constitutionally established authority and fiduciary responsibility which grants it ultimate control over the amortization period.) Should the city need to address its pension costs over a longer period than fifteen years, pursuant to the ordinance it will be required to issue Pension Obligation Bonds to do so.

OBLIGATIONS AFFECTED BY THE CURRENT RATING ACTION

The following are the city obligations carrying unenhanced or underlying ratings that are affected by this rating action, and the amount of debt outstanding as of fiscal year end 2004:

General Obligation Bonds (downgraded to Aa3 from Aa1):

1994 - Open Space Park Refunding Bonds ($31.4 million)

1991 - Public Safety Communications Bonds ($14.4 million)

Certificates of Participation and Lease Revenue Bonds (downgraded to A2 from Aa3):

2003 - 1993 Balboa Park/Mission Bay Park Refunding ($16.9 million)

2003 - 1993 City/MTDB Lease Revenue Refunding Bonds ($15.0 million)

2002B - Fire and Life Safety Facilities Project ($24.7 million)

1998A - Convention Center Expansion ($192.5 million)

1996 A and B - Balboa Park/Mission Bay Park Capital Improvements and Refunding ($30.4 million)

1994 - City/MTDB Lease Revenue Refunding Bonds ($21.8 million)

Certificates of Participation and Lease Revenue Bonds (downgraded to A3 from A1):

1996A (Taxable) - Jack Murphy Stadium ($62.9 million)

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